ESTABLISHING FARM PROGRAM PAYMENT YIELDS; DRY EDIBLE BEANS AMENDMENTS OF 1986; AND NONPROGRAM CROP AMENDMENTS OF 1986

HEARING

BEFORE THE

SUBCOMMITTEE ON
WHEAT, SOYBEANS, AND FEED GRAINS

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

SECOND SESSION

ON

H.R. 4078, H.R. 4079, H.R. 4105, and H.R. 4166

FEBRUARY 19, 1986

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ESTABLISHING FARM PROGRAM PAYMENT YIELDS; DRY EDIBLE BEANS AMENDMENTS OF 1986; AND NONPROGRAM CROP AMENDMENTS OF 1986

WEDNESDAY, FEBRUARY 19, 1986

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON WHEAT, SOYBEANS, AND FEED GRAINS,
COMMITTEE ON AGRICULTURE,
Washington, DC.

The subcommittee met, pursuant to call, at 10 a.m., in room 1300, Longworth House Office Building, Hon. Thomas S. Foley (chairman of the subcommittee) presiding.

Present: Representatives English, Bedell, Daschle, Volkmer, Glickman, Penny, Bruce, Marlenee, Stangeland, Roberts, Emerson, Evans of Iowa, Smith, and Schuette.

Also present: Representatives Huckaby, Stenholm, and Stallings, members of the committee; Representatives Dorgan, Traxler, and Smith of Nebraska.

Staff present: Phillip L. Fraas, counsel; John E. Hogan, minority counsel; Mark Dungan, minority associate counsel; Glenda L. Temple, clerk; Eugene Moos, Brenda B. Hatton, Bernard Brenner, Howard Conley, Mike Neruda, Paulette Zakrzeski, and Carol Ann Dubard.

OPENING STATEMENT OF HON. THOMAS S. FOLEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Mr. FOLEY. The Subcommittee on Wheat, Soybeans, and Feed Grains will come to order.

The committee meets this morning for the consideration of H.R. 4105, H.R. 4078, and H.R. 4098. The purpose of this legislation is to provide, in the case of H.R. 4105, to provide an equitable method of establishing the 1986 and 1987 farm program payment yields for the purposes of wheat, feed grains, upland cotton, and rice. H.R. 4078 is to amend the Agriculture Act of 1949 to require that dry edible beans not be treated as a nonprogram crop for the purpose of certain payments under the price of programs for wheat, feed grains, upland cotton, and rice, and H.R. 4079 is to amend the Agriculture Act of 1949 to authorize the Secretary of Agriculture to modify the definition of nonprogram crops to discourage any increase in the production of any commodity that would be adversely affected or would adversely affect the income of producers of that commodity.

The two latter bills, H.R. 4078 and H.R. 4079, obviously deal with the same problem, that of the production of nonprogram crops on lands that are in the wheat, feed grain, upland cotton, and rice program, and Members of Congress will be addressing, and other witnesses will be addressing, themselves to one or more of the bills before us today.

The need to move quickly on this legislation, I think, should be apparent to members, because otherwise the effects of the 1985 farm bill in these two areas will be to reduce farmer income in the first instance and, in the second instance, create a problem with the planting of nonprogram crops on program acres that will present income problems to farmers of those commodities.

In addition to dry edible beans there are other fruits and vegetables that may be produced on program acres.

I would like to address myself very briefly to the question of H.R. 4105 which I have introduced with the chairman, Mr. de la Garza, and with other Members of Congress.

When we enacted the 1985 farm bill in the House and when we reported it from this committee, it contained provisions for the reform of bases and yields which were designed to deal with the long-term problem in the growth of both bases and yields in the commodities of wheat, feed grains, upland rice, and cotton.

That legislation, with which Mr. Stenholm of Texas was particularly closely involved, was adopted. Those provisions were adopted in the conference report but in a way that changed rather dramatically the House schedule for the phasing in of the new base and yield formulas from 5 years into 1 year. The effect of that change is now clear. It will have, in addition to other changes in the program, a sharp downward impact on farmer income.

It is my view that the conference committee did not anticipate that the changes in the bases and yields would have so sharp an impact as they are now perceived to have. Consequently, we think it is important, those of us who have cosponsored the bill and I think many others, that there be an adjustment to this recently adopted provision of the farm bill.

Farmers are under severe economic strain now, and in the months and years ahead will undoubtedly continue to be under a strain as we seek to redevelop the levels of farm exports that we had enjoyed previously.

Under budgetary strictures and restraints, it is always difficult to do as much as we would like to do. But I am concerned that if this matter is not corrected we will be putting a heavier burden on the farmers participating in the wheat, feed grains, cotton, and rice programs than is wise, needed, or was anticipated by the recent farm legislation.

[The bills, H.R. 4078, H.R. 4079, H.R. 4105, and H.R. 4166, follow:]

I

99TH CONGRESS
2D SESSION

H. R. 4078

To amend the Agricultural Act of 1949 to require that dry edible beans not be treated as a nonprogram crop for purposes of certain payments under the price support programs for wheat, feed grains, upland cotton, and rice.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 29, 1986

Mr. TRAXLER (for himself and Mr. SCHUETTE) introduced the following bill; which was referred to the Committee on Agriculture

---

A BILL

To amend the Agricultural Act of 1949 to require that dry edible beans not be treated as a nonprogram crop for purposes of certain payments under the price support programs for wheat, feed grains, upland cotton, and rice.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Dry Edible Beans Amendments of 1986".

SEC. 2. AMENDMENTS TO AGRICULTURAL ACT OF 1949.

(a) WHEAT PRICE SUPPORT PROGRAM.—

(1) LIMITATION ON ELIGIBILITY FOR PAYMENTS ON PLANTINGS IN QUARANTINE AREAS.—Section 107D(c)(1)(C)(iii) of the Agricultural Act of 1949 is amended in the last sentence by striking out "or soybeans" and inserting in lieu thereof "soybeans, or dry edible beans".

(2) DEFINITION OF NONPROGRAM CROP.—Section 107D(c)(1)(K) of the Agricultural Act of 1949 is amended by striking out "or soybeans" and inserting in lieu thereof "soybeans, or dry edible beans".

(b) FEED GRAIN PRICE SUPPORT PROGRAM.—

(1) LIMITATION ON ELIGIBILITY FOR PAYMENTS ON PLANTINGS IN QUARANTINE AREAS.—Section 105B(c)(1)(B)(iii) of the Agricultural Act of 1949 is amended in the last sentence by striking out "or soybeans" and inserting in lieu thereof "soybeans, or dry edible beans".

(2) DEFINITION OF NONPROGRAM CROP.—Section 105B(c)(1)(I) of the Agricultural Act of 1949 is amended by striking out "or soybeans" and inserting in lieu thereof "soybeans, or dry edible beans".

(c) COTTON PRICE SUPPORT PROGRAM.—

(1) LIMITATION ON ELIGIBILITY FOR PAYMENTS ON PLANTINGS IN QUARANTINE AREAS.—Section 103A(c)(1)(B)(iii) of the Agricultural Act of 1949 is

amended in the last sentence by striking out "or soybeans" and inserting in lieu thereof "soybeans, or dry edible beans".

(2) DEFINITION OF NONPROGRAM CROP.—Section 103A(c)(1)(G) of the Agricultural Act of 1949 is amended by striking out "or soybeans" and inserting in lieu thereof "soybeans, or dry edible beans".

(d) RICE PRICE SUPPORT PROGRAM.—

(1) LIMITATION ON ELIGIBILITY FOR PAYMENTS ON PLANTINGS IN QUARANTINE AREAS.—Section 101A(c)(1)(B)(iii) of the Agricultural Act of 1949 is amended in the last sentence by striking out "or soybeans" and inserting in lieu thereof "soybeans, or dry edible beans".

(2) DEFINITION OF NONPROGRAM CROP.—Section 101A(c)(1)(G) of the Agricultural Act of 1949 is amended by striking out "or soybeans" and inserting in lieu thereof "soybeans, or dry edible beans".

I

99TH CONGRESS
2D SESSION

H. R. 4079

To amend the Agricultural Act of 1949 to authorize the Secretary of Agriculture to modify the definition of nonprogram crop to discourage any increase in the production of any commodity that would adversely affect the income of producers of that commodity.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 29, 1986

Mr. TRAXLER (for himself and Mr. SCHUETTE) introduced the following bill; which was referred to the Committee on Agriculture

---

A BILL

To amend the Agricultural Act of 1949 to authorize the Secretary of Agriculture to modify the definition of nonprogram crop to discourage any increase in the production of any commodity that would adversely affect the income of producers of that commodity.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Nonprogram Crop Amendments of 1986".

SEC. 2. AMENDMENTS TO AGRICULTURAL ACT OF 1949.

(a) WHEAT PRICE SUPPORT PROGRAM.—

(1) LIMITATION ON ELIGIBILITY FOR PAYMENTS ON PLANTINGS IN QUARANTINE AREAS.—Section 107D(c)(1)(C)(iii) of the Agricultural Act of 1949 is amended in the last sentence—

(A) by inserting "on such acreage" after "plant", and

(B) by striking out "soybeans on such acreage" and inserting in lieu thereof the following: "soybeans, or any other commodity the production of which the Secretary determines (in the Secretary's discretion) would increase as a result of this clause so as to adversely affect the income of the producers of such commodity".

(2) DEFINITION OF NONPROGRAM CROP.—Section 107D(c)(1)(K) of the Agricultural Act of 1949 is amended by inserting after "soybeans" the following: ", or other than a commodity the production of which the Secretary determines (in the Secretary's discretion) would increase as a result of this paragraph so as to adversely affect the income of the producers of such commodity".

(b) FEED GRAIN PRICE SUPPORT PROGRAM.—

(1) LIMITATION ON ELIGIBILITY FOR PAYMENTS ON PLANTINGS IN QUARANTINE AREAS.—Section

105B(c)(1)(B)(iii) the Agricultural Act of 1949 is amended in the last sentence—

(A) by inserting "on such acreage" after "plant", and

(B) by striking out "soybeans on such acreage" and inserting in lieu thereof the following: "soybeans, or any other commodity the production of which the Secretary determines (in the Secretary's discretion) would increase as a result of this clause so as to adversely affect the income of the producers of such commodity".

(2) DEFINITION OF NONPROGRAM CROP.—Section 105B(c)(1)(I) of the Agricultural Act of 1949 is amended by inserting after "soybeans" the following: ", or other than a commodity the production of which the Secretary determines (in the Secretary's discretion) would increase as a result of this paragraph so as to adversely affect the income of the producers of such commodity".

(c) COTTON PRICE SUPPORT PROGRAM.—

(1) LIMITATION ON ELIGIBILITY FOR PAYMENTS ON PLANTINGS IN QUARANTINE AREAS.—Section 103A(c)(1)(B)(iii) the Agricultural Act of 1949 is amended in the last sentence—

(A) by inserting "on such acreage" after "plant", and

(B) by striking out "soybeans on such acreage" and inserting in lieu thereof the following: "soybeans, or any other commodity the production of which the Secretary determines (in the Secretary's discretion) would increase as a result of this clause so as to adversely affect the income of the producers of such commodity".

(2) DEFINITION OF NONPROGRAM CROP.—Section 103A(c)(1)(G) of the Agricultural Act of 1949 is amended by inserting after "soybeans" the following: ", or other than a commodity the production of which the Secretary determines (in the Secretary's discretion) would increase as a result of this paragraph so as to adversely affect the income of the producers of such commodity".

(d) RICE PRICE SUPPORT PROGRAM.—

(1) LIMITATION ON ELIGIBILITY FOR PAYMENTS ON PLANTINGS IN QUARANTINE AREAS.—Section 101A(c)(1)(B)(iii) the Agricultural Act of 1949 is amended in the last sentence—

(A) by inserting "on such acreage" after "plant", and

5

(B) by striking out "soybeans on such acreage" and inserting in lieu thereof the following: "soybeans, or any other commodity the production of which the Secretary determines (in the Secretary's discretion) would increase as a result of this clause so as to adversely affect the income of the producers of such commodity".

(2) DEFINITION OF NONPROGRAM CROP.—Section 101A(c)(1)(G) of the Agricultural Act of 1949 is amended by inserting after "soybeans" the following: ", or other than a commodity the production of which the Secretary determines (in the Secretary's discretion) would increase as a result of this paragraph so as to adversely affect the income of the producers of such commodity".

I

99TH CONGRESS
2D SESSION

H. R. 4105

To provide for an equitable method of establishing 1986 and 1987 farm program payment yields for the purposes of the wheat, feed grain, upland cotton, and rice programs.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 4, 1986

Mr. FOLEY (for himself, Mr. DE LA GARZA, Mr. BEDELL, Mr. BRUCE, Mr. EMERSON, Mr. EVANS of Illinois, Mr. GLICKMAN, Mr. HUCKABY, Mr. MARLENEE, Mr. ROBERTS, Mr. ROBERT F. SMITH, Mr. STALLINGS, Mr. STANGELAND, and Mr. VOLKMER) introduced the following bill; which was referred to the Committee on Agriculture

---

A BILL

To provide for an equitable method of establishing 1986 and 1987 farm program payment yields for the purposes of the wheat, feed grain, upland cotton, and rice programs.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, effective beginning with the 1986 crops, paragraph (2) of section 506(b) of the Agricultural Act of 1949 is amended by—

(1) inserting "(A) after the paragraph designation; and

(2) adding at the end thereof the following:

"(B) Notwithstanding the foregoing provisions of this paragraph or paragraph (1), the farm program payment yield for the 1986 or 1987 crop year may not be established at a level less than the farm program payment yield established for the 1985 crop year.".

I

99TH CONGRESS
2D SESSION

H. R. 4166

To amend the Agricultural Act of 1949 to remove the authority for producers to plant nonprogram crops on certain excess acreage determined in connection with acreage limitation programs.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 18, 1986

Mr. COELHO (for himself, Mr. PANETTA, Mr. FAZIO, Mr. PASHAYAN, and Mr. LEHMAN of California) introduced the following bill; which was referred to the Committee on Agriculture

---

A BILL

To amend the Agricultural Act of 1949 to remove the authority for producers to plant nonprogram crops on certain excess acreage determined in connection with acreage limitation programs.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Nonprogram Crop Amendments of 1986".

SEC. 2. WHEAT PRICE SUPPORT PROGRAM.

Section 107D(c)(1) of the Agricultural Act of 1949 is amended—

(1) in clauses (i) and (iv) of subparagraph (C) by striking out "or nonprogram crops" each place it appears, and

(2) by striking out subparagraph (K).

SEC. 3. FEED GRAIN PRICE SUPPORT PROGRAM.

Section 105C(c)(1) of the Agricultural Act of 1949 is amended—

(1) in clauses (i) and (iv) of subparagraph (B) by striking out "or nonprogram crops" each place it appears, and

(2) by striking out subparagraph (I).

SEC. 4. COTTON PRICE SUPPORT PROGRAM.

Section 103A(c)(1) of the Agricultural Act of 1949 is amended—

(1) in clauses (i) and (iv) of subparagraph (B) by striking out "or nonprogram crops" each place it appears, and

(2) by striking out subparagraph (G).

SEC. 5. RICE PRICE SUPPORT PROGRAM.

Section 101A(c)(1) of the Agricultural Act of 1949 is amended—

(1) in clauses (i) and (iv) of subparagraph (B) by striking out "or nonprogram crops" each place it appears, and

(2) by striking out subparagraph (G).

Mr. FOLEY. With that, I will turn to my colleague, Mr. Marlenee, to see if he has any opening remarks.

OPENING STATEMENT OF HON. RON MARLENEE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MONTANA

Mr. MARLENEE. Mr. Chairman, I ask unanimous consent that my statement, in its entirety, may be entered into the record.

Mr. FOLEY. Without objection.

Mr. MARLENEE. I think it is important, Mr. Chairman, that you have called these hearings to clear the air on a number of important issues to our producers. These are key issues that should be clarified for USDA, and today we are considering, of course, your bill, of which I am a cosponsor, that would freeze Farm Program payment yields in 1986 and 1987 at the 1985 level. The measure aims to correct a provision in last year's farm bill which calculates yields on a 5-year system of program payment averages. This provision, as interpreted, has the effect of decreasing Farm Program yields for wheat growers.

If this provision is not corrected with regard to yields, Montana farmers stand to lose approximately $18 an acre if the Department action is not corrected.

[The prepared statement of Mr. Marlenee follows:]

PREPARED STATEMENT OF HON. RON MARLENEE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MONTANA

Mr. Chairman: It is important that we hold this hearing to "clear the air" on a number of important issues to our producers. You are to be commended for holding this hearing so that these key issues can be clarified.

Today we are considering the Chairman's bill, of which I am a cosponsor, which would freeze farm program payment yields in 1986 and 1987 at the 1985 level. The measure aims to correct a provision in last year's farm bill which calculates yields on a five-year system of program payment averages. This provision as interpreted has the effect of decreasing farm program yields for wheat growers.

Farmers in certain parts of Montana stand to lose approximately $18/acre if Department direction is not corrected. Producers have taken proper steps to improve their yields through the proven yield process and should not be penalized in any way for doing so.

Members of this Subcommittee strived to get a 1985 Farm Bill that would stabilize farm income while trying to make our commodities more attractive to export markets. We will continue to do so under further belt-tightening operations brought about through the first phase of Gramm-Rudman. However, this deceptive move to base producer payments on "an average of an average" or county yields only undermines everything we attempted to do in the 1985 Farm Bill.

This bill is an attempt to halt a deteriorating situation in rural America. During the Conference on the 1985 Farm Bill, it was my understanding that the intent of the Conferees was to protect the producer's right to utilize proven yields, frozen at the current levels.

However, USDA is saying that for a period where the farmer is supplying actual yields in order to build up the required 3 years of data, they will ignore those numbers and base the average on the assigned yields based on county averages.

Thus, farmers who started proving their yields during this period are experiencing dramatic drops in their calculated yields. The difference between the two yield figures is from 8 to 12 bushels or an average of $18 per acre.

I am also concerned that in my state of Montana, steps need to be taken to protect those with continuing poor yields brought through drought conditions such as has been experienced in Montana. Protection for low yields due to catastrophic weather conditions should be assured by USDA.

Also before our Subcommittee are two bills which aim to alter the so-called "92-50" underplanting provision in the 1985 Farm Bill. As presently written, the farm bill gives producers the opportunity to plant 50 percent of their permitted acreage

to qualify for 92 percent of their payments on permitted acreage. The remaining permitted acreage can be planted to any non-program crop.

I can certainly understand the concerns of certain non-program crop producers, especially the dry edible bean farmers who believe that their market will be damaged by bean plantings on the acreage released under the "92-50" provisions.

However, I also believe that the intent of the Conferees to allow for underplantings in certain program commodities that have experienced huge surpluses is sound policy. It reduces incentives to overproduction and permits participating farmers more flexibility in choosing the mix of crops planted.

I have some concerns about the H.R. 4079 which would give USDA the authority to prohibit the production of any crop on this acreage that would adversely affect the incomes of growers producing that crop. From past experience, this provides the Secretary of Agriculture too much discretion to make every specialty crop a "program" crop for purposes of the 92-50 provision. The end result would be to "gut" the underplanting provision and defeat the good policy intention of the 1985 Farm Bill.

These are just some of the concerns that I hope will be brought out in today's hearing. I look forward to a thorough discussion of these topics.

Mr. MARLENEE. At this time I would like to yield the balance of my time to my colleague, Bill Schuette, who has twisted my arm, practically broken my arm, with regard to edible beans. I yield the balance of my time to my colleague from Michigan.

OPENING STATEMENT OF HON. BILL SCHUETTE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. SCHUETTE. I thank the gentleman from Montana for yielding and really do appreciate the courtesy.

In addition to that, I want to thank Chairman Foley for calling these hearings on the two issues that we will be addressing today. I happen to be a strong supporter of the measure that Mr. Foley has introduced with respect to yields, and I hope that we continue to press onward in a timely fashion on this issue.

Second, I want to confine my remarks to the issue of the dry edible bean industry, a real part of Michigan pride in terms of agriculture in difficult circumstances that a kink in the 1985 farm bill has caused Michigan producers.

Let me as well make mention that my friend and my colleague, Mr. Bob Traxler, and I share adjoining districts, and Mr. Traxler and I have introduced two pieces of legislation which we will be marking up today, H.R. 4078 and H.R. 4079. Both Bob and I, representing bean interests in the State of Michigan, have worked extremely hard together to try to resolve this difficulty.

In addition, I know that there are other Members of Congress here concerned about the underplanting provisions, Mrs. Smith, Mr. Stallings, Mr. Dorgan, and I look forward to their testimony as well.

Obviously, the background and the purpose of our hearing today is to work out some of the kinks in the 1985 farm bill, noting that the thrust and the intent, the basic intent, of the 1985 farm bill was to maintain income bridges to producers, going through very, very difficult times. As imperfect as a bill as it is, the intent is to have income bridges on program crops, to provide some hope, some stability for producers, and have the farm bill be utilized as a planning tool. The thrust is to promote sensitivity to world forces, and let's work for markets.

Now, as a backdrop to that, we see very difficult times, probably the worst period of times in rural America since the Great Depres-

sion. The international playing field is not level due to cargo preference, due to foreign subsidies, and due to the strong value of the dollar. Domestically we have seen prices drop, land values deteriorate, and interest levels remain very high. Those problems are real, and we recognize them. But still the farmer tries to produce, and still the farmer tries to make it in these difficult times.

Further adding to the difficulty in rural America we see budget reductions, unfortunately, first being assessed from people in the countryside, be it deficiency payments or milk programs, instead of starting in Washington where I think it needs to occur, but still the farmer tries to make it.

Now we see a kink in the farm bill by its literal interpretation. With a 100-acre corn base you set aside 20 percent; that is 80 acres. You could plant 50 percent of your program base in corn—that is 40 acres—and plant the additional 50 percent with a nonprogram crop like dry beans. That means we have a farm bill that is not stable, that is not used as a planning tool, and to me that little interpretation is not in keeping with the basic intent, the basic thrust of the 1985 farm bill.

Our purpose here is to unkink it and to make sure we do not have adverse impacts on nonprogram crops like dry beans. Historically dry beans have been grown for markets and have been sensitive to market forces, and historically dry bean growers have produced in an environment that is not risk-free. Historically dry bean producers have depended on the laws and forces of supply and demand, and historically dry bean producers have produced for the market, not for the Government.

Now in looking at the farm bill, I happen to feel that the U.S. Department of Agriculture has a responsibility to assess adverse impacts on nonprogram crops, to have a balance among commodities, and I happen to feel that the Department could indeed exercise its discretion now, absent legislation to try to help producers of nonprogram crops, from dry beans to popcorn to sweet corn—you name it.

But no, the Department has chosen not to exercise, I think, that inherent discretionary power that it has at its behest. Now we have seen a deaf ear turned to farmers, an insistence on suffocating farmers with the dead hand of Government, and I think that needs to be changed.

The original purpose of this legislation was well intentioned; it did not have a purpose to impact nonprogram crops like dry beans, and popcorn, and sweet corn, and alfalfa, and vegetables; these are all products grown in Michigan and across this country. The intent was a laudible one, but how it is being interpreted by the Department, I think, could be devastating for nonprogram crops in the future.

Michigan pride in bean growing areas, 7,500 of the 13,000 dry bean growers across this country come from the State of Michigan; 430,000 acres of the 1.5 million acres are in the State of Michigan.

We anticipate with this language in now and the interpretation being utilized today we can see a 37-percent increase in dry bean acres.

Mr. Chairman, may I have 2 additional minutes?

Mr. FOLEY. Without objection.

Mr. SCHUETTE. We have seen prices drop in a period of a week's time almost $2, from $15 a bag to $13 a bag, for dry beans. Two bills today, two vehicles, that Mr. Traxler and I have jointly introduced, H.R. 4078 and H.R. 4079, give opportunity out there for nonprogram crops and dry beans specifically, one to exclude dry beans from this underplanning, planting on permitted acres, and, second, a broader bill to include popcorn, sweet corn, and other crops that feel the same stress, because as important as dry beans are to the State of Michigan and to me, it also impacts other crops across this country.

Just an article for you: Monday, February 17, the Saginaw News, headline, "State grain elevators bursting with beans. Figures issued Friday by the Michigan Agriculture Reporting Service show that the State's grain elevators are bursting with a large oversupply of dry beans from last year's crop." It goes on to say it does not include any estimate of the quantity of dry beans held on farms.

It is going to get worse, and I think we need to stop that. From my viewpoint, the clock is running, we need to act quickly, and I hope we move in an expeditious fashion on this legislation.

Thank you, Mr. Chairman. Thank you, Mr. Marlenee.

Mr. FOLEY. The time of the gentleman has expired.

I wonder if I could ask the other members of the committee perhaps to permit us to hear the testimony of the witnesses who are here, including Members of Congress, unless there is some urgent comment that any other members of the committee wish to make.

The Chair at this time will call on the distinguished representative from Nebraska, Mrs. Virginia Smith.

Mrs. Smith, we are very happy to welcome you to the subcommittee this morning. We would be happy to hear your testimony.

STATEMENT OF HON. VIRGINIA SMITH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEBRASKA

Mrs. SMITH. Thank you, Mr. Chairman and members of the subcommittee.

I am delighted to have with me two distinguished leaders in the bean-growing industry from my district, Gary Kelley, who is the immediate national past president of the Dry Bean Growers, and Fred Erhman, who is the immediate past State president. They will be testifying later on the panel and may have a few comments as of right now.

Mr. Chairman and members of the subcommittee, I appreciate this opportunity to express the concerns of my constituents in the Third District of Nebraska regarding the planting of certain nonprogram crops on underplanted acreage. I know that this decision would have an adverse effect on Nebraska's bean industry, and I urge support of H.R. 4078 to restrict the use of dry edible beans as a nonprogram crop.

Currently Nebraska's share of the total U.S. great northern bean production is 90 percent. About 50 to 60 percent of Nebraska's production of great northern beans are exported. Nebraska is ranked roughly fourth in pinto bean production. Only recently has the price of beans provided a reasonable return to our growers. Now the price trend received by growers is beginning to ease downward

due to the failure on the part of the farm bill to include discretionary authority to limit the planting of beans on certain crop acres.

The outlook for continued export sales looks very promising for present bean growers. Demand in no way will allow for the expected huge increase in production that is anticipated if changes are not made in the existing law. Many producers feel that beans will be grown on vast new acreages of nontraditional land, thus lowering the quality of marketable beans.

As currently written, the 1985 farm bill requires that wheat, feed grains, cotton, and rice producers be given the option of only planting 50 percent of their permitted acreage in order to receive deficiency payments on 92 percent of this acreage if the underplanted acreage is devoted to certain nonprogram crops or conserving uses. I say that dry edible beans should be treated like soybeans and excluded under H.R. 4078.

There are about 40 million acres of underplanted land that could be planted to nonprogram crops such as beans, popcorn, potatoes, and other crops. Most of this land is located in the 15 States where dry edible beans are currently grown. Dry edible bean acreage totaled 1.5 million acres in 1985. With this vast amount of land being available for nonprogram crop production, the potential for devastating the dry edible bean industry is not only real but it is almost a certainty. If corrective action is taken regarding this problem, we might be able to stop some land sales and liquidations that are otherwise almost certain to occur.

Mr. Chairman, I would like to point out that if this issue is not addressed in a timely manner the Federal Government will put these dry edible bean farmers, farmers that have been free from price support programs or any other kind of Federal subsidy, out of business. They cannot effectively compete with new producers enticed into dry edible bean production by this underplanting provision.

I have enclosed for the record two preliminary 1986 cost-per-acre calculations for the production of Nebraska Panhandle dry edible beans. These are courtesy of Dr. Jim Robb with the University of Nebraska, Lincoln Research and Extension Center, of Scottsbluff.

Please notice that with these calculations the bean price for center-pivot—30 percent of Nebraska production—and gravity irrigation—70 percent of Nebraska production—must be $19.39 per hundredweight and $21.35 per hundredweight, respectively, for area farmers to break even.

Yesterday beans were $20 per hundredweight, down from $23 recently. So that does not leave very much room for more producers.

I feel that if the farm bill does not already provide for discretionary authority by the Secretary of Agriculture on this matter then legislation such as H.R. 4078 that deals with the classification of dry edible beans should be passed. If this cannot be achieved, I will support legislation that would allow only a cover crop that would be prohibited from harvesting and grazing to be grown on these acres in addition to the collection of deficiency payments.

I thank you, Mr. Chairman.

[The prepared statement of Mrs. Smith follows:]

STATEMENT OF THE HONORABLE VIRGINIA SMITH
before the
SUBCOMMITTEE ON WHEAT, SOYBEANS, AND FEED GRAINS
FEBRUARY 19, 1986

Mr. Chairman and members of the committee, I appreciate this opportunity to express the concerns of my constituents in the Third District of Nebraska regarding the planting of certain nonprogram crops on underplanted acreage. I fear this decision would have an adverse effect on Nebraska's bean industry and urge support of H.R. 4078 to restrict the use of dry edible beans as a nonprogram crop.

Currently, Nebraska's share of the total US Great Northern bean production is 90 percent. About 50 to 60 percent of Nebraska's production of Great Northern beans are exported. Nebraska is ranked roughly 4th in pinto bean production. Only recently has the price of beans provided a reasonable return to growers.

Now, the price trend received by growers is beginning to ease downward due to the failure in part of the Farm Bill to include discretionary authority to limit the planting of beans on certain crop acres.

The outlook for continued export sales looks very promising for present bean growers. Demand in no way will allow for the expected huge increase in production that is anticipated if changes are not made in the existing law. Many producers feel that beans will be grown on vast new acreages of nontraditional land, thus lowering the quality of marketable beans.

As currently written, the 1985 Farm Bill requires that wheat, feed grains, cotton, and rice producers be given the option of only planting 50 percent of their permitted acreage in order to receive deficiency payments on 92 percent of this acreage if their underplanted acreage is devoted to certain nonprogram crops or for conserving uses. I say that dry edible beans should be treated like soybeans and excluded under H.R. 4078.

There are about 40 million acres of underplanted land that could be planted to nonprogram crops such as beans, popcorn, potatoes, and other crops. Most of this land is located in the 15 states where dry edible beans are currently grown. Dry edible bean acreage totaled 1.5 million acres in 1985. With this vast amount of land being available for nonprogram crop production, the potential for devastating the dry edible bean industry is not only real but almost a certainty.

If corrective action is taken regarding this problem, we might be able to help stop some land sales and liquidations that are otherwise almost certain to occur.

Mr. Chairman, I would also like to point out that if this issue is not addressed in a timely manner, the Federal Government will put these dry edible bean farmers--farmers that have been free from price

support programs or any other kind of federal subsidy--out of business. They cannot effectively compete with new producers enticed into dry edible bean production by this underplanting provision.

I have enclosed for the record two preliminary 1986 cost per acre calculation for the production of Nebraska Panhandle dry edible beans. These are courtesy of Dr. Jim Robb with the University of Nebraska-Lincoln Research and Extension Center in Scottsbluff. Please notice that with these calculations, the bean price for center-pivot (30 percent of Nebraska production) and gravity irrigation (70 percent of Nebraska production) must be $19 39/cwt and $21.35/cwt respectively for area farmers to break even. Yesterday, beans were $20.00/cwt. down from $23 recently. So that doesn't leave very much room for more producers.

I feel that if the Farm Bill does not already provide for discretionary authority by the Secretary of Agriculture on this matter, then legislation such as H.R. 4078 that deals with the classification of dry edible beans should be passed. If this cannot be achieved, I will support legislation that would allow only a cover crop that would be prohibited from harvesting and grazing to be grown on these acres, in addition to the collection of deficiency payments.

(Attachments follow:)

PRELIMINARY 1986 COSTS PER ACRE, NEBRASKA PANHANDLE
DRY EDIBLE BEANS, CENTER PIVOT IRRIGATED, ELECTRIC, 35 PSI

TOTAL CROPLAND ACRES	870.0	EXPECTED YIELD PER ACRE	20.0
ACRES THIS CROP BUDGET	130.0	ANIMAL UNITS OF GRAZING	0.0

OPERATION	ACRES /HOUR	PURCHASED MATERIALS AMOUNT /ACRE	PURCHASED MATERIALS COST /UNIT	MACHINERY COSTS FUEL AND LUBE	MACHINERY COSTS REPAIR AND MAINT.	MACHINERY COSTS FIXED	TOTAL COSTS
TANDEM DISC	10.63			0.67	0.84	2.85	4.36
BROADCAST SPREADER	15.00			0.32	0.21	0.65	1.18
MACHINE RENTAL FEE							1.30
NITROGEN (LBS. N)		10.00	0.26				2.60
PHOS (LBS. P205)		40.00	0.31				12.40
MOLDBOARD PLOW	3.47			2.06	2.73	7.18	11.97
ROLLER OR PACKER	9.16			0.52	0.36	3.59	4.47
ROLLER OR PACKER	9.16			0.52	0.36	3.59	4.47
SPRAYER	IN TANDEM			0.0	0.05	0.53	0.57
HERBICIDE,BRDCST.		3.00	4.85				14.55
PLANTER (FERT.,HERB.,ETC)	6.53			0.73	3.29	7.30	11.32
SEED (CWT.)		0.50	34.30				17.15
ROTARY HOE	17.92			0.21	0.28	1.88	2.37
ROW CROP CULTIVATOR	7.05			0.52	1.01	2.36	3.90
ROW CROP CULTIVATOR	7.05			0.52	1.01	2.36	3.90
ROW CROP CULTIVATOR	7.05			0.52	1.01	2.36	3.90
MANUAL LABOR	CUSTOM						0.0
WEED LABOR		1.00	9.00				9.00
IRRIGATION,CENTER PIVOT							
10.0 IN. APPLIED	20.00*			28.05	7.04	68.52	103.61
AERIAL SPRAY	CUSTOM						0.0
BEAN BEETLE		1.00	7.90				7.90
BEANCUTTER	7.64			0.62	2.07	6.92	9.62
BEAN ROD	8.48			0.43	2.40	6.26	9.09
COMBINE, PICKUP ATTAC	5.09			1.03	3.53	17.42	21.98
TRUCK ALLOWANCE	10.00*			0.50	0.70	2.85	4.05
TANDEM DISC	10.63			0.67	0.84	2.85	4.36
TOTALS				37.91	27.74	139.45	270.01

* - MINUTES OF LABOR/ACRE

CASH COSTS		
PURCHASED MATERIALS	63.60	
FUEL AND LUBE	37.91	
REPAIRS AND MAINTANANCE	27.74	
CUSTOM HIRE AND MACHINE RENTAL	1.30	
INTEREST ON OPERATING EXPENSE	11.31	
(130.55 X 13.00% FOR 8.0 MONTHS)		
TOTAL CASH COSTS		141.87
LABOR		
DIRECT LABOR	15.45	
(2.3 HRS X 5.50/HR X 1.2 (OVERHEAD))		
TOTAL CASH COSTS AND LABOR		157.32
FIXED COSTS		
FIXED MACHINERY COSTS (INCLUDES INTEREST AT 12.00%)	139.45	
REAL ESTATE TAXES	8.00	
INTEREST ON LAND ($ 850.00 VALUE/A X 6.00% X 1.0)	51.00	
TOTAL FIXED COSTS		198.45
TOTAL COST, EXCEPT OVERHEAD AND MGT.		355.78
OVERHEAD AND MANAGEMENT		
OVERHEAD (TOTAL CASH COSTS X 5.00%)	7.09	
MANAGEMENT CHARGE ($ 1.25 X ESTIMATED YIELD)	25.00	
TOTAL OVERHEAD AND MANAGEMENT		32.09
TOTAL COST PER ACRE		387.87
TOTAL COST PER UNIT OF PRODUCTION (BASED ON ESTIMATED YIELD)		19.39

PRELIMINARY 1986 COSTS PER ACRE, NEBRASKA PANHANDLE
DRY EDIBLE BEANS, GRAVITY IRRIGATED

TOTAL CROPLAND ACRES	300.0	EXPECTED YIELD PER ACRE	20.0
ACRES THIS CROP BUDGET	85.0	ANIMAL UNITS OF GRAZING	0.0

OPERATION	ACRES /HOUR	PURCHASED MATERIALS AMOUNT /ACRE	PURCHASED MATERIALS COST /UNIT	MACHINERY COSTS FUEL AND LUBE	MACHINERY COSTS REPAIR AND MAINT.	MACHINERY COSTS FIXED	TOTAL COSTS
TANDEM DISC	10.63			0.57	1.74	6.17	8.48
BROADCAST SPREADER	16.04			0.23	0.22	0.69	1.15
MACHINE RENTAL FEE							0.0
NITROGEN (LBS. N)		10.00	0.26				2.60
PHOS (LBS. P205)		40.00	0.31				12.40
TANDEM DISC	10.63			0.57	1.74	6.17	8.48
MOLDBOARD PLOW	3.47			1.75	4.33	10.79	16.87
ROLLER OR PACKER	6.55			0.93	0.69	6.20	7.81
SPRAYER	IN TANDEM			0.0	0.08	0.83	0.90
HERBICIDE		3.00	4.80				14.40
PLANTER (FERT.,HERB.,ETC)	4.90			0.75	5.46	12.04	13.25
SEED (CWT.)		0.50	34.30				17.15
ROTARY HOE	13.44			0.27	0.41	2.76	3.44
ROW CROP CULTIVATOR	5.29			0.70	1.82	3.97	6.48
ROW CROP CULTIVATOR	5.29			0.70	1.82	3.97	6.48
ROW CROP CULTIVATOR	5.29			0.70	1.82	3.97	6.48
MANUAL LABOR	CUSTOM						0.0
WEED LABOR		1.00	9.00				9.00
IRRIGATION,GRAVITY							
10.0 IN. APPLIED	240.00*			0.52	0.40	2.19	3.11
WATER TAX		1.00	15.42				15.42
AERIAL SPRAY	CUSTOM						0.0
BEAN BEETLE		1.00	8.10				8.10
BEANCUTTER	5.73			0.64	2.98	9.95	13.58
BEAN ROD	6.36			0.58	2.08	5.57	8.23
COMBINE, PICKUP ATTAC	3.82			1.17	5.31	26.15	32.62
TRUCK ALLOWANCE	8.00*			0.72	1.01	4.85	6.58
TANDEM DISC	10.63			0.57	1.74	6.17	8.48
TOTALS				11.37	33.66	112.42	236.52

* - MINUTES OF LABOR/ACRE

CASH COSTS		
PURCHASED MATERIALS	79.07	
FUEL AND LUBE	11.37	
REPAIRS AND MAINTANANCE	33.66	
CUSTOM HIRE AND MACHINE RENTAL	0.0	
INTEREST ON OPERATING EXPENSE	10.75	
(124.10 X 13.00% FOR 8.0 MONTHS)		
TOTAL CASH COSTS		134.85
LABOR		
DIRECT LABOR	41.97	
(6.4 HRS X 5.50/HR X 1.2 (OVERHEAD))		
TOTAL CASH COSTS AND LABOR		176.82
FIXED COSTS		
FIXED MACHINERY COSTS (INCLUDES INTEREST AT 12.00%)	112.42	
REAL ESTATE TAXES	16.10	
INTEREST ON LAND ($1500.00 VALUE/A X 6.00% X 1.0)	90.00	
TOTAL FIXED COSTS		218.52
TOTAL COST, EXCEPT OVERHEAD AND MGT.		395.34
OVERHEAD AND MANAGEMENT		
OVERHEAD (TOTAL CASH COSTS X 5.00%)	6.74	
MANAGEMENT CHARGE ($ 1.25 X ESTIMATED YIELD)	25.00	
TOTAL OVERHEAD AND MANAGEMENT		31.74
TOTAL COST PER ACRE		427.09
TOTAL COST PER UNIT OF PRODUCTION (BASED ON ESTIMATED YIELD)		21.35

Mrs. SMITH. Mr. Kelley, do you have something to add?

Mr. KELLEY. My name is Gary Kelley, president of the Kelley Bean Co., Morrill, NE. I would like to thank Chairman Foley and members of this distinguished subcommittee for the privilege to appear here. I would prefer to save my statement for a later time when I am on the panel.

Thank you.

Mrs. SMITH. Mr. Erhman.

Mr. ERHMAN. Thank you, Congresswoman Smith, Chairman Foley, and distinguished members of the panel. I am Fred Erhman. I am a grower in the State of Nebraska. I am past president of the Nebraska Dry Bean Growers Association. I do appreciate this opportunity.

We certainly do support the testimony that Congresswoman Smith presented here today, and I, too, will reserve my testimony until later on.

Mr. FOLEY. Thank you, Mrs. Smith and gentlemen. We appreciate your testimony very much. It has made a positive contribution to our record. We will hear you both during the panel at a later time.

Mrs. Smith, thank you very much for your appearance here this morning.

Mrs. SMITH. Thank you.

Mr. FOLEY. The next witness will be the Honorable Richard Stallings, a Member of Congress from the State of Idaho, a member of this committee.

STATEMENT OF HON. RICHARD H. STALLINGS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF IDAHO

Mr. STALLINGS. Thank you, Mr. Chairman, for allowing me this opportunity to address my colleagues on these vitally important issues now before the Subcommittee on Wheat, Soybeans, and Feed Grains.

I have a written statement I would like to submit for the record.

Mr. FOLEY. Without objection, it is so ordered.

Mr. STALLINGS. I will highlight those points which I feel need the subcommittee's immediate attention, but first I would like to compliment you, Mr. Chairman, for calling this hearing to consider these three bills, each critically important to restoring stability and equity to our Federal farm programs.

First I would like to address H.R. 4105. This bill, as you know, is intended to freeze program payment yields for the 1986 and 1987 crops at no less than the 1985 levels. I strongly support this measure because it is badly needed to avoid drastic crop yield reductions for many of our more efficient producers. These producers have achieved major gains in their productivity in recent years and should not be unjustly penalized.

I am confident that the members of this subcommittee are fully aware that this measure does not rewrite or undo any great compromise struck in the conference on the farm bill. This bill simply directs the Secretary to freeze program payment yields for the next 2 years at current levels to provide a necessary transition period

for producers who have traditionally cooperated in the Government's programs.

I am compelled to add here, Mr. Chairman, that I was extremely disappointed, as I am sure many of my colleagues who supported the Agricultural Efficiency and Equity Act of 1985, that provisions dealing with crop yields were not retained in the Food Security Act of 1985. But I firmly believe that while not everything we in the House had hoped for, H.R. 4105 will rectify some of these shortcomings, and I urge your full support for this measure.

We must also move quickly to reconsider other perhaps more potentially damaging provisions now contained in the Food Security Act of 1985. The provisions I am most concerned with are those that will allow producers of program crops to devote a portion of their permitted crop acreage equal to more than 8 percent of that crop base to conservation use or nonprogram crops and still receive deficiency payments on these acres as though they were planted to a program crop.

Mr. Chairman, I understand and in theory can support the intent of this provision, that is, to encourage producers to shift from the traditional program crops that are in chronic surplus to nonprogram crops that are less likely to be in oversupply under current market assumptions and conditions.

I emphasize current market conditions since many of these nonprogram crops could easily become surplus crops with very little economic incentive from the Government.

I urge this subcommittee to carefully examine the net effects of these provisions for both producers of program crops and producers of these other nonprogram crops. The net effect for producers of program crops should of course be an improved income picture resulting from the sale of these other cash crops in addition to the Government deficiency payments and greater overall stability for local economies.

In our current farm crisis that is exacerbated by lower projected farm prices in 1986, who would argue against such goals? Unfortunately, Mr. Chairman, the prospects are not as optimistic for producers of nonprogram crops who do not currently receive any Government price support payments.

The situation greatly concerns me because the producers in my predominantly agricultural district are put at great risk. These producers are vulnerable because they have, through necessity and prudent planning, diversified their production base.

Idaho producers are leaders in the production of potatoes, dry edible beans, and sugar beets, all nonprogram crops which have become targets of our Government farm policy.

Specifically, Idaho is ranked No. 1 in the production of potatoes, with the production of over 102 million hundredweight in 1985, which represents an 18-percent increase from the previous year, primarily due to record yields. Potatoes were a bumper crop in 1985, and the average price my farmers received clearly reflected the supply situation. Prices for the 1985 crop were estimated an average of $3.15 per hundredweight, which is considerably below the cost of production in Idaho.

I might add that prices were, in reality, much lower than the $3.15 figure for many, if not most, of my producers. At any rate,

the 1985 prices are down considerably from the high of $5.65 per hundredweight in 1980 when production was only 79.9 million hundredweight.

Now we are encouraging more farmers in Idaho and in other parts of the country to grow more potatoes and further depress the price of that commodity. I fear the situation will be very similar in the production of dry edible beans.

Idaho is currently ranked sixth in overall production of this commodity, with a production of more than 2 million hundredweight worth more than $40 million to several small towns in southern Idaho.

Producers in my district who grow approximately 75 percent of the pinto bean seed tell me that seed is no longer available for the 1986 crop, having been purchased by producers from many traditional and nontraditional growing areas in anticipation of this windfall opportunity.

What does all of this mean for potato and bean producers and producers of all other nonprogram crops, which I have not spoken to directly here today, like sugar beets and alfalfa?

The unanimous conclusion among my producers is that these provisions spell certain disaster for their own operations, leaving them with fewer options but to consider growing more of the surplus program crops like wheat, a situation which originally sparked this debate.

I might add at this point, Mr. Chairman, that the same situation exists in the dry pea and lentil growers that reside in many instances in your district.

I believe, Mr. Chairman, that unless corrected we will be, in effect, using Government policy and taxpayer money to benefit one class of producers who already receive a minimum level of direct Government support, as I believe they should, at the expense of other producers who typically do not receive direct income support.

Perhaps even more damaging will be the long-term effect of transferring the production base of many nonprogram crops from areas that have, through hard work, built a diversified agriculture, an agricultural economy afforded by these crops to other regions of the country which have historically been more reliant on the program crops. This policy is clearly misguided and may very well be self-defeating as more of my producers shift to wheat and other program crops that are currently in excess supply.

I think we have an opportunity here to minimize the adverse impacts that could result from this policy by expeditiously acting on two bills, H.R. 4078 and H.R. 4079 now before this subcommittee. I support both bills, Mr. Chairman, but I also recognize that it may be a very parochial issue if we attempt to single out a specific commodity for exemption as nonprogram crops under this policy, but we can, as a minimum, give the Secretary authority to modify the definition of nonprogram crops in order to discourage increases in production of any commodity that would adversely impact the producers of that commodity.

We must act quickly so that all producers have an opportunity to employ sound economic planning for the 1986 crop year.

Thank you, Mr. Chairman and members of the subcommittee, for this opportunity to address you today on these important issues. As

your colleague, I know you will give these bills your most thorough and timely consideration.

Before I leave, Mr. Chairman, I would like to quickly acknowledge two citizens from my district who, out of their grave concern for these issues, have traveled a very long distance at considerable expense to address this subcommittee. I am being joined today by Mr. Chips Barlow of Hazelton, ID, who is secretary-treasurer of, and will be speaking on behalf of, the National Dry Bean Council, and Mr. Harold Wilson of Burley, ID, who is also a director of the National Dry Bean Council. I want to personally thank these two fine gentlemen for their efforts to represent the dry bean industry, and again, Mr. Chairman, I thank you for holding this hearing and I thank you for this opportunity to testify.

[The prepared statement of Mr. Stallings follows:]

TESTIMONY PRESENTED BY REP. RICHARD STALLINGS (ID)

Thank you, Mr. Chairman, for allowing me this opportunity to address my colleagues on these vitally important issues now before the Subcommittee on Wheat, Soybeans & Feed Grains. I have a written statement I would like to submit for the record.

I will highlight those points which I feel need this subcommittee's immediate attention. But first I would like to complement you, Mr. Chairman, for calling this hearing to consider these three bills--each critically important to restoring stability and equity to our federal farm programs.

First, I would like to address H.R. 4105. This bill, as you know, is intended to freeze program payment yields for the 1986 and 1987 crops at no less than 1985 levels. I strongly support this measure because it is badly needed to avoid drastic crop yield reductions for many of our more efficient producers. These producers have achieved major gains in their productivity in recent years and should not be unjustly penalized.

I am confident that the members of this subcommittee are fully aware that this measure does not rewrite or undo any great compromise struck in the conference on the farm bill. This bill simply directs the Secretary to freeze program payment yields for the next two years at current levels to provide a necessary transition period for producers who have traditionally cooperated in the government's programs and I am sure would like to continue participating.

I am compelled to add here, Mr. Chairman, that I was extremely disappointed, as I am sure were many of my colleagues who supported the "Agricultural Efficiency and Equity Act of 1985", that provisions dealing with crop yields were not retained in the Food Security Act of 1985. I am referring specifically to the provision

that would have established a program crop yield as the average of the actual or proven yield per harvested acre for that crop for the preceding five crop years, excluding the highest and lowest yields.

A system using "proven yields" to determine income support payments is obviously more equitable for our producers and would most likely guarantee greater participation in the government's programs. Opponents of using proven yields have argued that such a system would be too costly and, unfortunately, these all too familiar arguments for trimming farm programs to the bare bones prevailed in the final debates. While not everything we, in the House, had hoped for, H.R. 4105 will rectify some of these shortcomings and I urge your full support for this measure.

We must also move quickly to reconsider other, perhaps more potentially damaging, provisions now contained in the Food Security Act of 1985. The provisions I am most concerned with are those that will allow producers of program crops to devote a portion of their permitted crop acreage equal to more than 8 percent of that crop base to conservation uses or nonprogram crops and still receive deficiency payments on these acres as though they were planted to a program crop.

Mr. Chairman, I understand, and, in theory can support the intent of this provision--that is to encourage producers to shift from the traditional program crops that are in chronic surplus to nonprogram crops that are less likely to be in oversupply under current market assumptions and conditions. I emphasize current market conditions since many of these nonprogram crops could easily become surplus crops with very little economic incentive from the government.

I urge this subcommittee to carefully examine the net effect of these provisions for both producers of program crops and producers of these other nonprogram crops. The net effect for producers of program crops should, of course, be an improved income picture resulting from the sale of these other cash crops in addition to the government deficiency payments and greater overall stability for local economies. In our current farm crisis that is exacerbated by lower projected farm prices in 1986, who would argue against such goals?

Unfortunately, Mr. Chairman, the prospects are not as optimistic for producers of nonprogram crops who do not currently receive any government price support payments.

This situation greatly concerns me because the producers in my predominately agricultural district are put at great risk. These producers are vulnerable because they have, through necessity and prudent planning, diversified their production base. Idaho producers are leaders in the production of potatoes, dry edible beans and sugar beets--all nonprogram crops which have become targets of our government farm policy. Specifically, Idaho is ranked number one in the production of potatoes, with a production of over 102 million hundred weight (cwt) in 1985 which represents an 18 percent increase from the previous year primarily due to record yields. Potatoes were a bumper crop in 1985 and the average prices my farmers received clearly reflected this supply situation. Prices for the 1985 crop were preliminarily estimated at an average of $3.15/cwt which is considerably below the cost of production in Idaho. I might add that prices were, in reality, much lower than the $3.15 figure for many if not most of my producers. At any rate, the 1985 prices are down considerably from a high of $5.65/cwt. in 1980 when production was only 79.9 million cwt. Now we are encourging

more farmers in Idaho and other parts of the country to grow more potatoes and further depress the price of that commodity.

I fear the situation will be very similar in the production of dry edible beans. Idaho is currently ranked sixth in overall production of this commodity with a production of more than 2 million cwt. worth more than $40 million to several small towns in southern Idaho. Producers in my district who grow approximately 75 percent of the pinto bean seed tell me that seed is no longer available for the 1986 crop, having been purchased by producers from many traditional and nontraditional growing areas in anticipation of this windfall opportunity. I have been advised that inquiries for seed have come from such nontraditional growing areas as Arizona, Louisiana, Georgia, Arkansas, Indiana, Illinois and Iowa.

What does all of this mean for potato and bean producers and producers of all the other nonprogram crops which I have not spoken to directly here today, like sugar beets and alfalfa? The unanimous conclusion among my producers is that these provisions spell certain disaster for their own operations leaving them with few options but to consider growing more of the surplus program crops like wheat--a situation which originally sparked this debate.

I believe, Mr. Chairman, that unless corrected, we will be in effect using government policy and taxpayers' money to benefit one class of producers who already receive a minimal level of direct government support, as I believe they should, at the expense of other producers who typically don't receive direct income support. Perhaps even more damaging will be the long-term effect of transfering the production base of many nonprogram crops from areas that have through hard work built a diversified agricultural

economy afforded by these crops to other regions of the country which have historically been more reliant on the program crops.

This policy is clearly misguided and may very well be self-defeating as more of my producers shift to wheat and other program crops that are currently in excess supply. I think we have an opportunity here, however, to minimize any adverse impacts that could result from this policy by expeditiously acting on two bills--H.R. 4078 and H.R. 4079-- now before this subcommittee. I support both bills, Mr. Chairman, but I also recognize that it may become a very parochial issue if we attempt to single out specific commodities for exemption as nonprogram crops under this policy. But we can, as a minimum, give the Secretary authority to modify the definition of nonprogram crops in order to discourage increases in production of any commodity that would adversely impact the producers of that commodity. WE MUST ACT QUICKLY SO THAT ALL PRODUCERS HAVE AN OPPORTUNITY TO EMPLOY SOUND ECONOMIC PLANNING FOR THE 1986 CROP YEAR.

Thank you, Mr. Chairman and members of the subcommittee, for this opportunity to address you today on these important issues. As your colleague, I know you will give these bills your most thorough and timely consideration. Before I leave, Mr. Chairman, I would like to quickly acknowledge two citizens from my district who, out of their grave concern with these issues, have traveled a very long distance at considerable expense to address this subcommittee. I am being joined today by Mr. Chips Barlow of Hazelton, Idaho who is secretary-treasurer of and will be speaking on behalf of the National Dry Bean Council and Mr. Harold Wilson of Gooding, Idaho who is also a director of the National Dry Bean Council. I want to personally thank these two fine gentlemen for their efforts to represent the dry bean industry.

Mr. FOLEY. Thank you very much, Mr. Stallings.

As a member of this committee and a member of the subcommittee, you have been in the forefront of pointing out this problem to the committee and taking remedial action on it.

We would also like to welcome Mr. Barlow and Mr. Wilson from Idaho, and we will be happy to hear their testimony on a panel later.

Again, thank you very much for your testimony.

Mr. STALLINGS. Thank you.

Mr. FOLEY. We will now call on the distinguished representative from Michigan, Mr. Traxler, if he is in the committee room. I see that he is.

Mr. Traxler is the principal sponsor of H.R. 4078 and H.R. 4079 and is taking a leading role in expressing the concern of not only the edible dry bean producers but producers of other nonprogram crops. He is concerned that this particular section of the agriculture bill be amended to prevent an injustice to those nonprogram producers.

Mr. Traxler, it is always a pleasure to see you. We welcome you to the committee.

STATEMENT OF HON. BOB TRAXLER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. TRAXLER. Thank you, Mr. Chairman. It is always a pleasure to see you and the other members of the subcommittee.

I feel very comfortable here. I have got a number of friends who are not only bean supporters and advocates but sugar as well. This is a very important subcommittee to the farmers of my district.

I would like to alert the panel, Mr. Chairman, to the fact that you have scheduled later this afternoon three witnesses from Michigan: Mr. James Byrum of Lansing, who is executive secretary of the Michigan Bean Commission, accompanied by two producers from Michigan, Mr. Eric Bailey of St. Louis, MI, and Mr. Einer Thorlund of Greenville, MI.

Mr. Chairman and members of the subcommittee, I appreciate this opportunity to appear before you today in support of a concept that is contained in H.R. 4078 and H.R. 4079 introduced by myself and Mr. Schuette. Also, I am here on behalf of and in support of H.R. 4166, a bill introduced by Mr. Coelho yesterday.

These bills attempt to resolve a difficulty that is being created by certain provisions of the 1985 farm bill for dry bean and other nonprogram commodities.

I am sure that this problem was not intended by Congress, and the willingness of your subcommittee to move quickly on this issue is ample proof of that fact. The provisions in the 1985 farm bill allow farmers to use a portion of their land intended for price-supported commodities for the planting of so-called nonprogram crops, that is, those crops for which no price support program is available.

I understand that the intention was to help move farmers away from crops that may be in surplus into alternative commodities. It is a commendable goal. However, the result is the certainty that the traditional producers of nonprogram crops—in my area, mainly

dry beans, potatoes, and vegetables—will see a substantial drop in their prices as a result of this excess provision.

The price of navy beans, you will be told later on, most of which are grown in my congressional district, has dropped approximately $2 per hundredweight since the Department made announcements regarding this nonprogram crop on permitted acreage provisions during last month.

Mr. Chairman, I am certain that that was not the intent of Congress. They did not intend to harm some farmers in order to help others, and we believe, and expect, and hope that no one wants to put dry bean farmers out of business.

The Department of Agriculture has, I think, made it clear that they believe they do not have any discretion to deal with this current situation, and knowing of the difficulties faced by our Nation's dry bean farmers I introduced the two bills, along with the support of my good colleague from Michigan, Mr. Schuette.

We recognize that other commodities may be in the same position, and we want to give the Secretary of Agriculture in one bill discretion to deal with those problems. The other bill pertains exclusively to dry beans.

However, there is a sense within the industry that the former Secretary of Agriculture, John Block, had a position that if he had discretion to exclude certain crops he would not exercise it. Of course we cannot speak for the current Secretary, we do not know what his position is going to be, and for that reason today I consponsored legislation introduced by our colleague and a member of the full committee, Mr. Coelho, the Chairman of the Livestock, Dairy, and Poultry Subcommittee, which simply strikes the permission for nonprogram crops to be planted on permitted acreage.

With Mr. Coelho's bill we need not worry about whether or not the Department will use the discretion, and I want to urge you to give his proposal full consideration as well today.

Mr. Chairman, as you and the committee know, this is an extremely urgent matter and requires your immediate attention because farmers cannot be kept waiting much longer. In fact, action is needed within the next week or so if they are to be in a position to make meaningful decisions about ordering seeds, fertilizer, and planting their 1986 crops.

I might say that based on some actions initiated by Senators Riegle and Levin of Michigan the Senate majority leader, Mr. Dole, has committed himself to them to moving this matter on the first available vehicle after confirmation of the fact from the USDA that they do not believe that the Department has discretion in the 1985 farm bill to deal with this problem of nonprogram crops. So this issue is not one that is alive in the House only. It is one which was discussed on the Senate floor prior to the recess and on which some commitments have been made among various Senators to take action on it.

It is an important issue for the farmers that I represent. They never asked to be included in the 1985 farm bill indirectly, and they hope that you are willing to take them out from under it now so they can simply allow the market to help them decide whether to plant beans and other commodities as well.

I appreciate your consideration and your prompt consideration, Mr. Chairman. I know that this committee recognizes the problem, and I am certain that you will have a resolution for consideration by the full House in the very near future.

[The prepared statement of Mr. Traxler follows:]

STATEMENT OF

THE HONORABLE BOB TRAXLER

OF MICHIGAN

CHAIRMAN FOLEY AND MEMBERS OF THE SUBCOMMITTEE, I APPRECIATE THE OPPORTUNITY TO COME BEFORE YOU TODAY IN SUPPORT OF MY TWO BILLS THAT ATTEMPT TO RESOLVE A DIFFICULTY THAT HAS BEEN CREATED BY CERTAIN PROVISIONS OF THE 1985 FARM BILL FOR THE DRY BEAN FARMERS THAT I REPRESENT, AS WELL AS FOR A NUMBER OF OTHER PRODUCERS AROUND THE COUNTRY.

I AM SURE THAT THIS PROBLEM WAS NOT INTENDED, AND THE WILLINGNESS OF YOUR SUBCOMMITTEE TO MOVE SO QUICKLY ON THIS ISSUE IS AMPLE PROOF OF THIS FACT.

MR. CHAIRMAN, PROVISIONS IN THE 1985 FARM BILL ALLOW FARMERS TO USE A PORTION OF THEIR LAND INTENDED FOR PRICE SUPPORTED COMMODITIES FOR THE PLANTING OF SO-CALLED "NONPROGRAM CROPS", THAT IS, THOSE CROPS FOR WHICH NO PRICE SUPPORT PROGRAM IS AVAILABLE.

I UNDERSTAND THAT THE INTENTION WAS TO HELP MOVE FARMERS AWAY FROM CROPS THAT MAY BE IN SURPLUS INTO ALTERNATIVE COMMODITIES. HOWEVER, THE RESULT IS THE LIKELIHOOD THAT THE TRADITIONAL PRODUCERS OF NONPROGRAM CROPS, INCLUDING DRY BEANS, WILL SEE A SUBSTANTIAL DROP IN THEIR PRICES AS A RESULT OF THIS EXCESS

PRODUCTION. I UNDERSTAND THAT THE PRICE OF NAVY BEANS, MOST OF WHICH ARE GROWN IN MY CONGRESSIONAL DISTRICT, HAS DROPPED APPROXIMATELY $2 PER HUNDREDWEIGHT SINCE THE DEPARTMENT MADE ANNOUNCEMENTS REGARDING THIS "NONPROGRAM CROP ON PERMITTED ACREAGE" PROVISION LAST MONTH.

MR. CHAIRMAN, I AM SURE THAT THE CONGRESS DID NOT INTEND TO HARM SOME FARMERS IN ORDER TO HELP OTHERS. I KNOW THAT THERE IS AN INTEREST IF FINDING OTHER CROPS FOR WHEAT AND FEED GRAIN FARMERS, BUT I WOULD HOPE AND EXPECT THAT NO ONE WANTS TO PUT MY DRY BEAN FARMERS OUT OF BUSINESS IN ORDER TO DO IT.

THE DEPARTMENT OF AGRICULTURE HAS TOLD MY OFFICE THAT THEY DO NOT HAVE ANY DISCRETION TO DEAL WITH THE CURRENT SITUATION. KNOWING OF THE DIFFICULTIES FACED BY OUR NATION'S DRY BEAN FARMERS, I INTRODUCED H.R. 4078 TO EXCLUDE DRY BEANS FROM THOSE COMMODITIES WHICH CAN BE PLANTED ON PERMITTED ACREAGE. BUT ALSO RECOGNIZING THAT OTHER COMMODITIES MAY BE IN THE SAME SITUATION, I INTRODUCED H.R. 4079 TO GIVE THE SECRETARY OF AGRICULTURE THE

DISCRETION TO DEAL WITH THOSE PROBLEMS.

HOWEVER, I WAS ADVISED BY SOME OF THE PEOPLE IN THE DRY BEAN INDUSTRY THAT THEY WERE ADVISED BY NOW FORMER SECRETARY OF AGRICULTURE JOHN BLOCK THAT IF HE HAD THE DISCRETION TO EXCLUDE CERTAIN CROPS, HE WOULDN'T USE IT. I DO NOT PRESUME TO SPEAK FOR MR. BLOCK, BUT ANY STATEMENT OF THIS KIND MUST GIVE US REASON TO CONSIDER WHETHER OR NOT THE DISCRETION WOULD BE USED. FOR THIS REASON, I HAVE TODAY COSPONSORED LEGISLATION INTRODUCED BY OUR COLLEAGUE FROM CALIFORNIA, MR. COELHO, A MEMBER OF THE AGRICULTURE COMMITTEE AND THE DISTINGUISHED CHAIRMAN OF THE DAIRY, LIVESTOCK AND POULTRY SUBCOMMITTEE, WHICH SIMPLY STRIKES THE PERMISSION FOR NONPROGRAM CROPS TO BE PLANTED ON PERMITTED ACREAGE. WITH HIS BILL WE NEED NOT WORRY ABOUT WHETHER OR NOT THE DEPARTMENT WILL USE "DISCRETION". I WANT TO URGE YOU TO GIVE HIS PROPOSAL FULL CONSIDERATION TODAY AS WELL.

MR. CHAIRMAN, THIS IS AN EXTREMELY URGENT MATTER AND REQUIRES YOUR IMMEDIATE ACTION BECAUSE FARMERS CAN'T BE KEPT WAITING

MUCH LONGER. IN FACT, ACTION IS NEEDED WITHIN THE NEXT WEEK IF THEY ARE TO BE IN A POSITION TO MAKE MEANINGFUL DECISIONS ABOUT ORDERING SEEDS AND FERTILIZER BEFORE THEY HAVE TO PLANT THEIR 1986 CROPS.

LET ME ALSO REMIND YOU THAT BASED ON SOME ACTION INITIATED BY SENATORS RIEGLE AND LEVIN OF MICHIGAN, THE SENATE MAJORITY LEADER HAS COMMITTED HIMSELF TO MOVING THIS MATTER ON THE FIRST AVAILABLE VEHICLE AFTER CONFIRMATION OF THE FACT THAT USDA DOES NOT HAVE THE DISCRETION TO DEAL WITH THE PROBLEM OF NONPROGRAM CROPS.

MR. CHAIRMAN, THIS IS AN IMPORTANT ISSUE FOR THE FARMERS I REPRESENT. THEY HAD NEVER ASKED TO BE INCLUDED IN THE 1985 FARM BILL, AND THEY HOPE THAT YOU ARE WILLING TO TAKE THEM OUT FROM UNDER IT NOW SO THAT THEY CAN SIMPLY ALLOW THE MARKET TO HELP THEM TO DECIDE WHETHER TO PLANT BEANS OR NOT. I APPRECIATE YOUR CONSIDERATION OF THEIR CONCERNS.

Mr. FOLEY. Thank you very much, Mr. Traxler. We appreciate your testimony and your leadership on resolving this issue.

Taking note of your comments, the Chair would note that Mr. Coelho of California did introduce yesterday H.R. 4166, and without objection the bill will be considered before the subcommittee and available for testimony and comment by the witnesses, and, without objection, the statement in support of the legislation by the distinguished member from California, Mr. Coelho, will be included in the record at this point.

[The prepared statement of Mr. Coelho follows:]

STATEMENT OF
CONGRESSMAN TONY COELHO
before the
HOUSE AGRICULTURE SUBCOMMITTEE ON
WHEAT, SOYBEANS, AND FEED GRAINS

February 19, 1986

I appreciate the opportunity to submit testimony before the House Agriculture Subcommittee on Wheat, Soybenas, and Feed Grains regarding the consideration of H.R. 4078 and H.R. 4079 authored by my colleague from Michigan, the Honorable Bob Traxler. In addition, I would also like to specifically comment about legislation that I introduced in the House of Representatives yesterday, February 18, 1986, which addresses the same concerns as H.R. 4078 and H.R. 4079 regarding the impact of the permitted acreage planting allowances on nonprogram crop producers. However, H.R. 4166, the measure which I have introduced and which is supported by the American Farm Bureau Federation, California Farm Bureau Federation, Western Growers Association and the United Fresh Fruit and Vegetable Association, as well as other agricultural organizations, goes a step further by prohibiting the planting of nonprogram crops on farmland which has been put out of production due to participation in the price support program.

As I am sure the Subcommittee members are aware, H.R. 4078 and H.R. 4079, as well as H.R. 4166 are all aimed at revising a provision of the Food Security Act of 1985. This provision allows grain, cotton, and rice producers who cut acreage by more than the amount required under surplus control programs to use the excess idled acres for the production of "non-program" crops and still collect income support payments on 92 percent of the acreage which

was eligible for planting. Although I support H.R. 4078, which would rule out the classification of dry beans as a nonprogram crop, and H.R. 4079, which goes a bit further and authorizes the Secretary of Agriculture to modify the definition of non-program crops, I believe that neither of these measures goes far enough to assure that producers of nonprogram crops will not be hurt by an increase in production on this additional acreage. To assure that increases in production of any commodity which does not have a price support program would not be adversely affected by the allowances to produce other commodities on underplanted acreage, I believe that we must not just give the Secretary of Agriculture discretionary authority, but instead, we must provide specific assurances that their markets will not be devasted through additional production which resulted from the implementation of a price support program.

Specialty crop growers should not have to compete with farmers who are receiving benefits from participating in price support programs. I do not believe that this was the intent of the farm bill, and feel that this provision needs to be corrected immediately before we get any further into the planting season. The impact of this provision is to spread government subsidy programs to agricultural commodity producers which have traditionally been market-oriented. I do not believe that it is fair to provide for price wars, further gluts on the market, and added turmoil to agricultural producers who do not rely on the government programs.

I strongly urge the Subcommittee to take action on these important measures, and report out H.R. 4166 which provides a clear message to nonprogram crop producers that they will not have to compete with farmers who receive federal program benefits due to this new provision.

Mr. TRAXLER. Mr. Chairman.

Mr. FOLEY. Yes.

Mr. TRAXLER. May I just say in connection with the one bill that Mr. Schuette and I sponsored giving the Department discretion, irrespective of whether or not they already have it, and I am sure they will be making a statement in connection with that today. I do not know what that statement will say, but what I want to impress upon the subcommittee is that by the time the Department works discretion through the bureaucracy over there, we will be harvesting dry beans.

So what I want to impress upon the committee is, on second thought, I do not know that discretion is a viable option. I would urge the committee to seek a more specific and very prompt, direct remedy in which the Department does not have discretion.

That is an unusual statement coming from me. I like to believe and trust in our fine Departments that serve the people of this Nation, but I think that under these circumstances it was necessary.

Mr. FOLEY. The Chair will not speak for any other member of the subcommittee, but I believe that this problem can only be resolved by very prompt action and one that provides no uncertainty as to whether nonprogram crops may be planted on these permitted acres that are excess acres. It will be for the subcommittee to determine the exact nature of the language that we may report, but I think I may sense the view of members on both sides of the aisle that this matter should be resolved clearly and unambiguously so that producers both of program and nonprogram crops will have no doubt as to what will be permitted.

Mr. TRAXLER. I thank the chairman for that statement, and I wholeheartedly endorse it.

Mr. FOLEY. Thank you, Mr. Traxler.

We now welcome to the witness chair Mr. Byron Dorgan, a representative in Congress from North Dakota and a very distinguished member who, in addition to his service on the important Ways and Means Committee, is widely regarded as one of the real experts on agriculture in the House of Representatives.

We are delighted to welcome you back to the Committee on Agriculture, Mr. Dorgan.

STATEMENT OF HON. BYRON L. DORGAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH DAKOTA

Mr. DORGAN. Thank you, Mr. Chairman.

Mr. Chairman, thank you for holding this hearing.

I am here on behalf of a lot of producers in North Dakota who are very concerned about a number of items in the farm bill. We have, as you know, a farm crisis in the heartland of this country—prices are going down, bankruptcies are up—and it ought to be the job of Congress and those in the administration to do everything possible to try and stabilize prices.

There are a couple of things that I want to visit about today that lead in the direction of lower prices, less support, and at least in one instance, near catastrophe for prices on certain nonprogram crops.

The one thing that farmers continually talk about is the need for some sort of consistency or predictability in farm programs. It just drives them crazy year after year to see us lurch in one direction and lurch back in another direction and then zig here and zag there. We do not have a consistent approach to direction in agriculture from the Federal Government.

The new farm bill that was passed was the subject of a great deal of controversy even among those of us who come from farm States. But there are at least two areas in this bill that I think most of us would agree are very difficult problems. Let me describe them very briefly.

The first area is program payment yields. I think most members from farm States believed that the conference report protected the option of using proven yields and would place a cap on yield increases. In fact, we are now discovering the interpretation of that conference to be a reduction in income and a rather substantial reduction in my part of the country. It could be as much as $1,600 per producer, $20 to $25 per acre, and that is not small money to producers who are in financial trouble.

I believe what is most frustrating for the majority of farmers is that they try to play by the rules and then the rules get changed precipitously or abruptly with no notice and with surprise to almost everyone.

I think that the legislation that has been introduced by the distinguished chairman, Mr. Foley, H.R. 4105, is a remedy for this yield problem. It should be passed quickly by this House, the Senate, and sent to the President for signing. I think this bill can restore some fairness to the concept of computation of program payments in the 1986 crop year.

Second, I would like to talk about the 92/50 provisions. But first, I want to introduce Richard Fugleberg from Portland, ND, who is with us in the crowd today. He is going to be testifying later today. Mr. Fugleberg is president of the bean growers organization in our part of the country.

We have in North Dakota a substantial production of dry edible beans, sugar beets, potatoes, sunflower seeds, and other specialty crops. We are concerned about what could be catastrophic for the prices of specialty crops.

I am sure that you knew the statistics before Virginia Smith read them, but it is important, I think, for her and others of us to reiterate once again what the ability to plant nonprogram crops on underplanted acres means to some specialty crop markets which are very fragile. A very small deviation in supply and demand can create a large price change very, very quickly. Those large changes in price can have a dramatic impact on the financial success or failure of an individual operator out there who has elected not to be involved in this program, but in fact, to plant a crop that is not subsidized.

I would like to read to you something that was written to me by Randall Olsen, the president of the North Central Bean Dealers Association because in one paragraph I think he says it pretty well. He is referring to the bean industry. He said:

) This industry represents one of the last true commodity markets relying solely on supply and demand with no futures trading. Overproduction of dry beans has a very

quick and devastating effect on prices received by producers. Current conditions of the agricultural economy along with weak commodity prices will practically ensure serious overproduction.

I agree with that statement and the assessment of the danger here, and I guess my comment to the committee is we cannot sit around at this point and do nothing. We have to understand that what these folks are saying represents a real and serious threat to commodities which farmers have been growing without assistance from the Farm Program.

I know that I have talked to you, Mr. Chairman, about it personally, and I know your feelings about it. I hope that this committee will take the kind of action it has in the past.

Let me conclude by echoing what Mr. Traxler said. I, too, like the USDA, they are a good bunch of folks, but we will be eating those beans long before this change gets made unless we get involved now and say here is what we have to do. We have got to solve this problem and solve it now for producers, so that they know they are not going to be devastated by an oversupply and a decreasing price on crops that are not part of the program crops under this farm bill.

Mr. FOLEY. Thank you very much, Mr. Dorgan. We appreciate your testimony.

Mr. DORGAN. Mr. Chairman, I do have a prepared statement I would like to insert in the record.

Mr. FOLEY. Without objection, your prepared statement will be included in the record in its entirety. Also, the prepared statements of Mr. Bereuter and Mr. Panetta will be included in the record. I hope that we will be able to take the action that you and Mr. Traxler and Mrs. Smith and Mr. Stallings recommended and resolve these two problems as quickly as possible.

[The prepared statements of Mr. Dorgan, Mr. Panetta, and Mr. Bereuter follow:]

TESTIMONY OF CONGRESSMAN BYRON L. DORGAN

NORTH DAKOTA

COMMITTEE ON AGRICULTURE

SUBCOMMITTEE ON WHEAT, SOYBEANS, AND FEED GRAINS

FEBRUARY 19, 1986

Mr. Chairman, I appreciate the opportunity to testify today on two provisions in the Food Security Act of 1985 which will greatly affect net farm income for family farmers in my state of North Dakota.

Throughout the farm bill debate and in weeks following its passage, family farmers were promised that target prices would be protected for 1986 and that they had been frozen to assure them a minimal safety net for their operations. Yet, the way in which USDA has proposed to interpret this law in determining yields for 1986 and 1987 crops is simply a cover-up for a sleight-of-hand formula which will decrease, in total, the target price payments paid to family farmers by 20 percent. A few numbers help outline just how severe the problem could be:

- In North Dakota, program payment yields could be reduced as much as

20 to 25 bushels per individual farmer, thus reducing program payments as much as $1600 per individual .

- In very productive counties of North Dakota, farmers will have to suffer a $5 million income cut as result of the proposed yield formula.

- It has been estimated that if this situation were multiplied along 20 Red River Valley counties in North Dakota, it could end up costing $100 million in one year, or $700 million, from the "ripple effect" of lost dollars in the economy.

- According to USDA sources, the Nation's farmers could lose over $1 billion during the next 3 years. I need not tell you how such losses could devastate an already fragile economic situation in the farm belt.

The farm bill in question calculates the 1986 and 1987 program payment yields on the 1981-1985 average, dropping the high and low years. Plus, USDA is saying that for a period where the farmer is supplying actual yields in order to build up the required 3 years of data, they will ignore those figures and base the average on the assigned county averages.

I am cognizant of the fact that Congress has tried to prohibit farmers from increasing their yields by preventing them from supplying new proven yield figures. However, farmers who began proving their yields during the last 2 or 3 years are experiencing dramatic drops in

their calculated yield under USDA's formula.

I find it difficult to believe that it was the intent of the Conference Committee to quietly remove the floor protection that the 1985 Farm Bill was supposedly designed to accomplish. I understood, as did many other farm-state colleagues, that the conference report would protect the farmers' option of using proven yields and at the same time place a cap on a possible yield increase.

Faced with the present situation, I strongly support H.R. 4105 introduced by Mr. Foley which will provide that 1986 and 1987 program payment yields can not be less than the 1985 program yield. I believe this bill will allow family farmers to receive the income support they deserve, given the production history of their farm.

Secondly, I would like to address the so-called "50/92 provision" which allows wheat, feed grain, upland cotton, and rice producers the option of planting only 50 percent of their permitted acreage and receiving deficiency payments on 92 percent of their permitted acreage if the underplanted acreage is devoted to conservation uses or nonprogram crops (i.e. dry-edible beans, sunflowers, potatoes, flax, sugar beets, etc.)

Allow me to present a simple example -- a family farmer with a 100 acre corn base must set aside or not plant 20 acres of his base in 1986 to qualify for a diversion payment from the government for compliance. However, the farmer is required to plant only 50 percent of his remaining acreage (40 acres) to corn to qualify. The other 40 acres

(underplanted) can be planted to a nonprogram crop to qualify the farmer for 92 percent of the diversion payment.

USDA recently announced that any nonprogram crop other than soybeans and extra long staple cotton could be planted on this underplanted acreage -- without regard to the profitability and the supply/demand situation for the nonprogram crop. After talking to numerous farmers, processors, and exporters, this announcement will have a detrimental effect on net farm income for producers of many nonprogram crops.

I can understand and certainly appreciate both Senator Boschwitz and Congressman Stangland's basic reasoning for incorporating this type of legislation into the farm bill. On the surface it seems to be a sound alternative for direct cash payments to the farmer. It also attempts to free family farmers from having to seek government support while at the same time reduce production of surplus crops. However, what the plan does in effect, is subsidize production of non-program crops by making payments on land used to produce the crops, thus encouraging production which can't help but cause a drop in prices.

<u>The dimensions of the problem are staggering</u>!

- Already farm crop analysts warn of a big price drop in the 1986 crop of sunflower seed if a large number of producers decide to shift some of their barley, oats or spring wheat acreage base to such a crop.

- Navy beans dropped $1/cwt. for the second week in a row, to $11/cwt.

- Edible bean seed sales are reported to be brisk at an unusually early date. The markets for edible beans have virtually shut down nationwide as processors wait to see how the provision is handled, and contracts at $15/cwt. have been withdrawn.

It has been reported that 40 million acres of underplanted land could be devoted to nonprogram crops. With this vast amount of land being available for nonprogram crop production, the potential exists for devasting the industry of many commodities unless modification of the previous USDA announcement is made.

In lieu of the aforementioned problem, I support H.R. 4079 introduced by Mr. Traxler which will give the Secretary of Agriculture the discretionary authority to limit the planting of nonprogram crops in the event that adverse market conditions do exist. Furthermore, I strongly encourage the Secretary of Agriculture to issue regulations which accurately reflect the intent of this Committee and to ensure that these programs are effectively administered.

STATEMENT OF
CONGRESS LEON E. PANETTA
before the
HOUSE AGRICULTURE SUBCOMMITTEE ON
WHEAT, SOYBEANS, AND FEED GRAINS

February 19, 1986

I appreciate the opportunity to submit testimony before the House Agriculture Subcommittee on Wheat, Soybeans, and Feed Grains regarding consideration of legislation that revises the new "underplanting" provision in the farm bill. I am concerned that this provision would cause a dramatic loss of income for growers of fruits and vegetables and other specialty crops. This was certainly not the intent of the farm bill. To correct this flaw and protect our growers, I joined with Congressman Coelho to introduce a bill, H.R. 4166, which would prevent the planting of nonprogram crops on subsidized farmland.

A new twist to the farm bill encourages producers of the commodities eligible for federal subsidies - wheat, rice, corn, and cotton - to use a portion of their land for growing other, nonsubsidized crops, including specialty crops. Under this provision, a farmer could idle up to 50% of this program crop base acreage, still be eligible for most of his deficiency payments, and be permitted to plant nonsubsidized crops on this acreage. This unfairly pits nonsubsidized growers against subsidized growers, which could lead to gluts and price wars in unsubsidized markets. Specialty crop growers should not have to compete with farmers who are subsidized.

The original intent of the "underplanting" provision was to eliminate the incentive to produce surplus commodities only for the purpose of maintaining crop acreage bases and maximizing deficiency payments. Our bill would achieve this objective. H.R. 4166 would

restrict the use of "underplanted" acres to conservation uses only. It would therefore allow program farmers to maintain their bases while avoiding the detrimental impact of increased production of nonprogram crops.

I urge the Subcommittee to take action on H.R. 4166 to address the serious flaw in the "underplanting" provision contained in the recently enacted farm bill. We must treat all agricultural producers fairly and prevent actions that would benefit one group to the detriment of another.

STATEMENT OF U.S. REPRESENTATIVE DOUG BEREUTER

BEFORE THE WHEAT, SOYBEANS, AND FEED GRAINS SUBCOMMITTEE

FEBRUARY 19, 1986

Mr. Chairman, members of the Committee, I appreciate this opportunity to submit a statement to your Subcommittee to relay some of my feelings on H.R. 4078 and H.R. 4105 which are technical amendments to the 1985 Farm Bill. Even though I believe it was an absolute necessity to pass the Farm Bill before adjournment in December, particularly in light of the deficit-reduction sentiment and emphasis shown in Congress during 1986, there still are some areas in the commodity programs which should be refined and improved. These two bills will address several areas within the Farm Bill to maintain the intent of Congress to assist those particular farmers who are affected.

As you know, H.R. 4078 would exempt dry edible beans from being treated as a non-program crop when the Secretary allows producers to plant non-program crops on only 50% of their permitted acres but yet receive 92% of the payments. While I am fully supportive of this bill and I realize the devastating effects that might be placed on many dry edible bean producers throughout my home state of Nebraska, this Committee must also recognize that popcorn growers will experience the same problem as dry edible bean growers because of this provision in the Farm Bill. I should also point out that I am well aware that the purpose of this provision is to provide an incentive for farmers not to produce a surplus crop but it should not be at the expense of an alternative crop already established in the marketplace.

In my state of Nebraska there are many growers who have raised popcorn for several years. Many of these producers have either decreased or eliminated their production of field corn. Farmers who have decreased the supply of feed grains by raising popcorn are now going to be penalized for not having joined the ranks of other farmers asking for government help in this time of need. It is possible that this provision will cause considerable overplanting by many farmers that will erode the price for popcorn by 20 to 30%. Downward market pressure on popcorn prices will force many established popcorn growers out of the industry through no fault of their own.

Because Nebraska ranks second in the nation in both planted acres and pounds of popcorn produced (49,500 acres and 152.1 million pounds respectively), I am sure this Committee realizes what impact this legislation would have on the popcorn industry in Nebraska if only dry edible beans are addressed. Until now, the inability of popcorn growers to participate in the farm program has not been an issue because earlier farm programs did not seriously erode the market price for popcorn. However, many popcorn growing areas throughout Nebraska will be seriously affected if their commodity is treated as a non-program crop under the current Farm Bill.

Although I realize that another bill being discussed today would allow the Secretary to discourage the production of any non-program crop that would be adversely affected by this provision, I thought it should come to the attention of the Subcommittee that popcorn growers could suffer as much as dry edible beans or other non-program crops. For the sake of those long time popcorn farmers in Nebraska who have not contributed to the over supply of feed grains, I hope this Subcommittee will include this change to prevent any harm to our popcorn farmers in any amendments it may offer to alter the 1985 Farm Bill.

With respect to H.R. 4105, this Subcommittee can be sure I will give my full support to the enactment of this legislation. As you also know, the current Farm Bill states that program yields will be established by averaging the yields for the 1981-1985 crops after discarding the highest and the lowest yield years. This system would deny recognition of increases in per-acre productivity of many producers in Nebraska. If the bill is enacted, the formula would remain in effect, but the Secretary would be prohibited from setting a producer's program yield for 1986 or 1987 at a level below a farm's assigned yield for 1985.

Conditions in the agricultural sector of Nebraska have yet to see any signs of improvement in net farm income. If this provision in the Farm Bill is not revised, many wheat and feed grain farmers may suffer severe losses of income. It is unfortunate that many farmers, who have recently work very hard to improve their productivity and have increased their assigned yields, must now face the possibility of lowering their assigned yields because of a provision in the Farm Bill.

Congress and the U.S. Government must continue to be fair and responsible in its relationships with the American farmer and the agri-business sector in farm communities across the country. Considering the very distressed financial conditions facing farmers in my state, failure to consider such changes as those proposed in this bill will put an additional financial burden on many farmers who have been efficient through extremely tough times.

Thank you for the opportunity to submit this statement. I hope my views will give some additional insight to the issues at hand, and I hope you will fully consider my thoughts on this legislation.

Mr. FOLEY. At this time the Chair would like to call to the witness table Mr. William C. Bailey, Deputy Administrator for Program Planning and Development of the Agricultural Stabilization and Conservation Service, U.S. Department of Agriculture, to testify in behalf of the Agriculture Department.

Mr. Bailey, we welcome you to the subcommittee.

STATEMENT OF WILLIAM C. BAILEY, DEPUTY ADMINISTRATOR, PROGRAM PLANNING AND DEVELOPMENT, AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY RALPH LINDEN, OFFICE OF GENERAL COUNSEL, AND CHARLES CUNNINGHAM, DEPUTY DIRECTOR, COMMODITY ANALYSIS DIVISION

Mr. WILLIAM BAILEY. Thank you, Mr. Chairman.

Mr. Chairman and members of the subcommittee, my name is William Bailey. I am deputy administrator for program planning and development of ASCS. I appreciate the opportunity to appear before you today to discuss changes in the Food Security Act of 1985 relating to nonprogram crops, that is, H.R. 4078 and H.R. 4079, and establishment of the 1986 and 1987 Farm Program payment yields, H.R. 4105.

Mr. Chairman, while my statement is rather brief, I would be happy to summarize it if the chairman would like me to.

Mr. FOLEY. Without objection, the statement will be included in the record.

Mr. WILLIAM BAILEY. If you would like, I could summarize it; if not, I could go ahead and read it in its entirety.

Mr. FOLEY. Whichever you prefer. If you would like to read the statement, that would be fine, if it is relatively brief. If it is longer than 10 minutes or so, perhaps you could summarize it.

Mr. WILLIAM BAILEY. It is around 3 or 4 minutes.

Mr. FOLEY. All right. We will be glad to have it.

Mr. WILLIAM BAILEY. The Food Security Act of 1985 provides with the 1986 through 1990 crops of wheat, feed grains, upland cotton, and rice that whenever an acreage limitation program is in effect for a crop of these commodities, producers of that commodity may receive deficiency payments based upon acreage planted to that commodity and the acreage not planted to that commodity with the producer's permitted acreage, up to a maximum of 92 percent of the permitted acreage, if the underplanted acres are devoted to nonprogram crops or conserving uses and the producers plant at least 50 percent of the producers' permitted acreage to the commodity.

The act would permit producers to count toward that 50 percent minimum planting requirement acreage on which they were prevented by State or local quarantine from planting the commodity as long as a program crop is not planted on that acreage.

H.R. 4078 would amend the definition of nonprogram crop to exclude dry edible beans, thereby requiring that it be treated as a program crop and discouraging the planting of this commodity on the underplanted acres.

H.R. 4079 would amend the definition of a program crop to provide the Secretary with discretion to exclude any commodity other

than a program commodity from the definition of nonprogram crop if the Secretary determines that the production of such commodity on the underplanted acres would adversely affect the income of the producers of such commodities.

We certainly understand the concerns being expressed by the dry edible bean producers as well as other nonprogram crop producers. However, supporting the specific exemption of the dry edible beans from the nonprogram crop classification would most likely lead to other requests for additional exemptions. More importantly, such an exemption reduces the flexibility a farmer needs to make market-oriented planting decisions.

With respect to the establishment of 1986 and 1987 Farm Program payment yields, the Food Security Act of 1985 provides generally that the Farm Program payment yield for each of the 1986 and 1987 crop years shall be the average of the Farm Program payment yields for the farm for the 1981 through 1985 crop years, excluding the high and low years.

H.R. 4105 would place a floor on this calculation, the Farm Program payment calculation, by mandating that the Farm Program payment yield for 1986 or 1987 crop years may not be established at a level less than the 1985 program payment yield.

By requiring that the 1986 and 1987 Farm Program payment yields be not less than the Farm Program payment yields established for 1985, H.R. 4105 will likely result in increased outlays for fiscal years 1986 through 1988 of approximately $850 million.

We are especially opposed to any change in the present yield provisions of the farm bill because it was one of the cost savings provisions agreed upon in order to make the bill acceptable to the administration. Such an increase in government outlays is unacceptable to the administration. Reductions in the Federal deficit must be achieved, and legislation which results in increased outlays runs counter to this effort.

One of the problems with past program price support legislation has been producers have produced crops to receive program benefits. Market signals were being distorted by government policies and programs.

The 1985 farm bill made significant strides in de-emphasizing program benefits as a production incentive. Under the 50/92 provisions, producers do not have to plant their full permitted acreage to receive deficiency payments, and by freezing program yields this decouples increases in productivity from deficiency payments, making market returns the incentive for improving productivity rather than potential increased deficiency payments.

We think both these program provisions are consistent with a move to a more market-oriented agriculture and therefore would not support changing the provisions.

We believe it is inappropriate at this time to reopen commodity provisions of the farm bill for changes. The changes contained in H.R. 4079, H.R. 4078, and H.R. 4105 are believed to fall outside of the scope of technical corrections. The administration therefore opposes these pieces of legislation.

This concludes my statement, Mr. Chairman.

[The prepared statement of Mr. Bailey appears at the conclusion of the hearing.]

Mr. FOLEY. Thank you, Mr. Bailey.

As I gather it, the Department is opposed to all the bills before the subcommittee today.

Mr. WILLIAM BAILEY. Yes, sir.

Mr. VOLKMER. Mr. Chairman, would that include also the Coelho bill?

Mr. FOLEY. I do not know if Mr. Bailey has had an opportunity to examine the bill introduced yesterday by Mr. Coelho, H.R. 4166.

Mr. WILLIAM BAILEY. No, sir, I have not.

Mr. FOLEY. It, however, reaches the same result as H.R. 4078 and H.R. 4079 introduced by Messrs. Traxler and Schuette, because those bills give the Department discretion to prohibit—H.R. 4079 in particular—nonprogram crops being grown, and Mr. Coelho simply strikes the authority for them to be grown, so it is even more severe.

I assume from the testimony of Mr. Bailey that the Department would probably be opposed to H.R. 4166.

Mr. WILLIAM BAILEY. I am sorry, Mr. Chairman, I did not hear the last part.

Mr. FOLEY. I said—I do not want to put words in your mouth, but I assume that if Mr. Coelho's bill, which is H.R. 4166, which prohibits the growing of nonprogram crops on the excess acres of wheat, feed grains, rice, and upland cotton—that you would be opposed to that if you are opposed to discretionary authority being given to the Secretary to prohibit those crops.

If you would like to reserve an opportunity to consider the bill, I think we would be very happy to have any additional comments you want to make.

Mr. WILLIAM BAILEY. Yes.

[The information follows:]

The Department of Agriculture has no position on H.R. 4166.

Mr. FOLEY. I am drawing an assumption, maybe without merit, but you seem to rule out any changes in the farm program that are not technical changes by the last comments of your statement.

Mr. WILLIAM BAILEY. Yes, sir.

Mr. FOLEY. I will just ask one or two questions, if I may, before turning to other members.

The principal opposition of the Department to the legislation dealing with yields is that it will reduce savings in the farm bill; is that correct?

Mr. WILLIAM BAILEY. Yes, sir.

Mr. FOLEY. And I think it probably should be noted—I assume you would agree—that the provisions of the base and yield sections of the farm bill will result in lower expenditures by the Government than the preexisting program of last year even with this legislation. This reduces savings, it does not in a sense incur new obligations; is that correct?

Mr. WILLIAM BAILEY. Yes, sir.

Mr. FOLEY. Can you suggest again why you oppose the legislation that would limit the authority to produce nonprogram crops on these so-called excess acres?

You suggested broadly that you did not want to see nontechnical amendments introduced and passed by the Congress so soon after

the farm bill was enacted, and I gather you made some reference to the flexibility of farmers to plant crops.

But do you recognize no significant problem in the new authority that would perhaps encourage the production of dry edible beans, peas, lentils, alfalfa, potatoes, and other crops? Normally these crops would only be produced by those traditional producers of nonprogram crops.

Mr. WILLIAM BAILEY. Yes, sir. The 50/92 or 92/50 provision at first blush certainly would allow farmers to have an opportunity to produce some crops which they have not traditionally grown and do so under the umbrella of Government programs, give them a chance to grow some of the nontraditional crops just to see, as markets change, how they might produce those crops.

Most assuredly, commodities which will be adversely impacted have not been part of the programs, and they will be directly affected by the 50/92 provisions.

Mr. FOLEY. I think that is the answer to my question.

I just want to say for the record, as I understand the proceedings of this subcommittee and the full committee where the 92/50 matter was considered, it was never anticipated, in my recollection that this would be a provision to open up production of new acres to nonprogram crops.

I think the idea was to not require producers of program crops to seed substantial acres that they had no intention of otherwise seeding in order to participate in a supply management payment program. The possibility that these acres might be turned to huge new production for nonprogram crops was, frankly, and unfortunately, not fully anticipated by the committee.

I happen personally to view this as perhaps not in the same area of technical correction but certainly carrying out the spirit of the amendment that was offered here and adopted by the committee. I just make that statement briefly for the record.

Mr. Marlenee.

Mr. MARLENEE. Thank you, Mr. Chairman.

You state you oppose changes in the farm bill, any proposed changes.

Mr. WILLIAM BAILEY. The statement is at this point in time we oppose these particular pieces of legislation.

Mr. MARLENEE. Does that mean that the Department will not be coming in to ask this committee or the committee of the House or the Senate to make provisions in the farm bill, any revisions?

Mr. WILLIAM BAILEY. I certainly do not want to limit the options of the Department. I am up here addressing these three particular pieces of legislation.

Mr. MARLENEE. Was an order given by the Department, by the Secretary, or Under Secretaries, or OMB to examine every avenue available to cut the cost of the bill?

Mr. WILLIAM BAILEY. We are very sensitive to how much the bill costs.

Mr. MARLENEE. My question was, was an order given to the Under Secretaries and the Assistant Secretaries and those in the Department to examine every avenue available to cut the cost of the farm bill?

Mr. WILLIAM BAILEY. I cannot speak for—no, sir, I cannot answer that. I am not familiar with such an order.

Mr. MARLENEE. So you cannot answer the question and you cannot give us a definite yes or a definite no.

Mr. WILLIAM BAILEY. Because I cannot speak for the Under Secretaries and the Assistant Secretaries. I was given no such order, no, sir.

Mr. MARLENEE. I see.

Were the lawyers and those of you responsible for the farm bill instructed to interpret the bill and the intent of the bill in order to administer it?

Mr. WILLIAM BAILEY. There are portions of the bill addressed by the particular legislation which are not subject to interpretation.

Mr. MARLENEE. All right. But that still does not answer my question. Were you asked to interpret the bill?

Mr. WILLIAM BAILEY. No, sir, I was not.

Mr. MARLENEE. Was any member asked to interpret the bill?

Mr. WILLIAM BAILEY. I have been advised by OGC that they have been asked to make interpretations of various provisions of the bill; yes, sir.

Mr. MARLENEE. Have they completed those interpretations so that you can, in fact, administer the bill?

Mr. WILLIAM BAILEY. Those that they have been asked to interpret, yes, sir.

Mr. MARLENEE. Was it the intent and were you asked to interpret the bill to follow the intent of the committee, or are you interpreting it as you want to interpret it with regard to cutting the costs?

Mr. WILLIAM BAILEY. By "the committee," you mean the conference committee?

Mr. MARLENEE. Yes.

Mr. WILLIAM BAILEY. As closely as possible, sir, we are interpreting the law as consistently as we possibly can with the intent of the conference committee.

Mr. MARLENEE. Mr. Chairman, I cannot hear the answer.

Mr. FOLEY. The subcommittee will be in order.

Mr. Bailey, would you repeat your answer?

Mr. WILLIAM BAILEY. Yes, sir. As consistently as we possibly can, we are interpreting the law, where we have been asked to interpret the law, as consistently as we possibly can with the intent of the conference committee.

Mr. MARLENEE. But you still cannot answer me with regard to interpreting it as to institute cost savings in the bill?

Mr. WILLIAM BAILEY. I am sorry, could you repeat that, sir?

Mr. MARLENEE. My first question to you was, were you instructed to interpret the law and to analyze it and approach the bill with regard to finding all avenues that you could to cut the cost of the bill, and you still cannot give me that answer.

Mr. WILLIAM BAILEY. I have not been given that directive, no, sir.

Mr. MARLENEE. But you cannot answer for the rest of the Department.

Mr. WILLIAM BAILEY. Costs are very sensitive and very important to us.

Mr. MARLENEE. All right. Do you recognize that there are surpluses in a number of commodities?

Mr. WILLIAM BAILEY. Yes, sir.

Mr. MARLENEE. Do you recognize that planting, for instance, edible beans on these acres that are left idle or that have the potential to be left idle could result in surpluses in those areas?

Mr. WILLIAM BAILEY. That is one very real potential outcome; yes, sir.

Mr. MARLENEE. That is a potential.

Mr. WILLIAM BAILEY. Yes, sir.

Mr. MARLENEE. That is a potential.

Do you consider that the fact that somebody receiving deficiency payments on those acres might be an incentive for them and also a subsidy to seeding those crops?

Mr. WILLIAM BAILEY. If you were assured of getting your deficiency payments and you had the alternative to try out some alternative crops, having a subsidy would certainly make that choice much more attractive than the absence of the subsidy.

Mr. MARLENEE. Would a surplus in those crops drive down the price on the market?

Mr. WILLIAM BAILEY. Surpluses tend to do that, yes, sir.

Mr. MARLENEE. Now, sir, are you advocating that we drive down the price of edible beans and soybeans?

Mr. WILLIAM BAILEY. I am not advocating that at all; I am simply—the outcome——

Mr. MARLENEE. That would be the ultimate outcome, would it not?

Mr. WILLIAM BAILEY. Yes, sir.

Mr. MARLENEE. Are you advocating that? Are you supporting that position?

Mr. WILLIAM BAILEY. No, sir.

Mr. MARLENEE. Then why your resistance to the bill? Either you support limiting the crops or you support driving down the price, one of the two.

Mr. WILLIAM BAILEY. The real question is what constitutes a technical change, and it is our view that changing these particular pieces of legislation would go beyond a technical change.

Mr. MARLENEE. Well, I am glad to hear that the Department will not be back in requesting any changes in the bill whatsoever. I think we need to make that clear.

Mr. WILLIAM BAILEY. I did not infer that, and I did not say that, sir.

Mr. MARLENEE. You said you did not support any changes in the bill.

Mr. WILLIAM BAILEY. At this point in time.

Mr. MARLENEE. At this point in time.

Well, at what point in time are you going to then?

I yield back the balance of my time, Mr. Chairman.

Mr. FOLEY. Mr. Bedell.

Mr. BEDELL. Thank you.

Mr. Bailey, I would like to follow up a little bit on Mr. Marlenee's questioning.

Your statement indicates that you would be opposed to changing the yield legislation because there would be some additional costs involved if we were to do that. Is that correct?

Mr. WILLIAM BAILEY. Yes, sir.

Mr. BEDELL. I take it that means you are concerned about the cost of this bill. Is that correct?

Mr. WILLIAM BAILEY. Yes, sir.

Mr. BEDELL. Do I understand it correctly that in permitting non-program crops to be planted we will then permit those people who wish to plant sunflowers, for example, to plant sunflowers on the additional acres? Is that correct?

Mr. WILLIAM BAILEY. Yes, sir.

Mr. BEDELL. What is the loan rate on soybeans at this time?

Mr. WILLIAM BAILEY. $5.02.

Mr. BEDELL. Do you anticipate that the market is going to go above that $5.02?

Mr. WILLIAM BAILEY. During portions of the 1986 crop year, maybe not.

Mr. BEDELL. OK. If the price is going to be below the loan rate and if you add to the surplus, are you not going to lower the price? If you add to the surplus, you are going to lower the price, are you not?

Mr. WILLIAM BAILEY. Pardon?

Mr. BEDELL. If you add to the surplus of a commodity, you tend to lower the price, do you not?

Mr. WILLIAM BAILEY. Yes, sir.

Mr. BEDELL. If you lower the price of soybeans, are you not going to cause the Government to take over more soybeans and increase the cost to the Government?

Mr. WILLIAM BAILEY. That may well be an outcome, yes, sir.

Mr. BEDELL. So if that is the case, some of us who are concerned about the cost cannot understand why the administration would be opposed to a change that would say that a producer is not going to be able to plant more sunflowers, which serve a similar purpose to soybeans, and therefore increase production, and therefore increase the cost to the Government because the Government has to take over more of the crop. It seems that in some things you indicate you want to cut costs and in other things you indicate you want to increase costs.

I guess my question is, why is it that you would like to see an increase in the production of oil seeds, including sunflowers and soybeans, when you are already stuck with a surplus and the more you increase production the greater the cost to the Government. Why is it you want to see that?

Mr. WILLIAM BAILEY. It is not that we want to see it, sir.

Mr. BEDELL. You are opposed to our trying to do something about it. Why are you opposed to our trying to do something about that problem?

Mr. WILLIAM BAILEY. Because we want to be sure that the farmer is the one who makes that decision.

Mr. BEDELL. Oh, but you were opposed to our giving them a referendum to let them decide what kind of farm bill they wanted, were you not?

Mr. WILLIAM BAILEY. Yes, sir.

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Mr. BEDELL. Does that make sense, that you would be opposed to letting them vote on what they want but you would feel in this case that you should not do anything about this problem?

Mr. WILLIAM BAILEY. In this case, we are talking about what constitutes a nonprogram crop, and sunflowers are, indeed, a nonprogram crop.

Mr. BEDELL. No, we are not talking about that at all, Mr. Bailey. We are talking about how the program is going to operate. We are talking about whether, when we already have a surplus of oil seeds, we ought to tell farmers that they can go ahead and plant oil seeds on their set-aside acres. That is just one of the things. We are also talking about dry beans and lots of other things.

Some of us cannot understand for the life of us why you would want to increase Government costs by telling people to go ahead and produce more of something that we have already got too much of and that is going to cost the Government more money.

I yield back the balance of my time, Mr. Chairman.

Mr. FOLEY. Mr. Stangeland.

Mr. STANGELAND. Thank you, Mr. Chairman.

Mr. Bailey, I would very much hope that the administration would rethink their position on both of the matters, and I will tell you why.

I am the author of the 50/92 provision in the House, not quite as generous in the House as it ended up in conference.

Apparently the Congress, in its questionable wisdom, made an error. I think errors ought to be corrected before damage is done. Apparently there are commodity groups who think that damage is going to be done with this amendment and well it could be done.

The intention of the author in offering the 50/92 provision was to attempt to assist wheat growers in further reducing the supply and to assist them in their market situation. However, if we are going to see an expansion of dry edible beans, an expansion of potatoes and some other commodities, that will further exacerbate farmers' economic positions in those areas, I think we have to admit that we made an error, and as the author of the bill I am going to be the first one to admit that, while this looked good on the surface, it was an error. It was intended initially, as the chairman of the subcommittee said, to help farmers cut down production of wheat, help them idle additional lands, and then the nonprogram crops were added in.

But if we have made a mistake, we do not want to wait to correct that mistake until we have done further damage to other kinds of farm economies. I think, frankly, we ought to admit that and take a look at it.

Then on the question of the yields, I think here, too, we have made a mistake. It was always the intent of this committee, as we moved that farm bill forward for a year, working on it, that we were going to do our best to maintain farm income at no less than the current levels, knowing that there is an economic crisis out there.

In discussions here about 10 days ago with leaders in the Senate, with the top people down at USDA, we discovered that if we pay and what payments we make in the farm program that use PIK

payments, those are not budget exposures, they do not count on the budget.

We discussed at that time that there may be a way to save money, since this yield proposal over the 3-year period in the bill, I believe it is, saves $1.2 billion. We looked at the $2 billion export program and said, well, maybe we want to pare that back and not cut income in the yield section, and USDA said, well, that $2 billion was primarily payment in kind and as payment in kind it did not count.

So then we suggested that we used some payment in kind to make up the difference in the yield portion. You can utilize the formula devised in the bill, and the difference between that and last year's program yield amount, which is substantial in most cases—as high as 22 bushels per acre for some of my producers—and use payment-in-kind, then you do not have the budget exposure and you still get your savings.

I think USDA ought to look at both of those proposals, rethink them, and admit that we made some errors, and what we intended to do did not turn out correctly and it did not turn out to be the final determination as to how you administer the program.

I have no quarrel with the Department in your interpretation. I think the way the law is written is fairly clear. Your interpretations are correct, and I am not blaming you in your interpretations. Some would like to blame your interpretations. I think it was our problem in how we drafted the bill.

I do not have a question for you, just an advisory opinion, but in the time we have left I am also somewhat surprised that those commodity groups, most of whom have representation here in Washington, as this bill was moving, did not foresee problems—and so I say that our vision may not have been good but their vision was not either—they did not foresee until the bill was in its final form and signed that some of these proposals cause real problems. So I think some of the commodity groups share blame with us in not pointing out at the time that bill was being worked and finalized and in the conference committee that these were problems.

But I think the Department has to look at what we have done and, if we have made a mistake, join with us in correcting that mistake before we have done some severe economic damage.

I thank you.

Mr. FOLEY. Mr. Daschle.

Mr. DASCHLE. Thank you, Mr. Chairman.

I want to associate myself with the remarks of the gentleman from Minnesota. I think that it is a question of position as well as, as the gentleman from Montana said, a question of interpretation.

I do not recall how many times the administration was brought to that table as we were debating these provisions in committee asking for their position. I think it needs to be restated as we set the record here, as we analyze whether or not this bill is necessary, where the position was of this administration as we deliberated bases and yields.

For the record, Mr. Bailey, what was the administration's position on proven yields as this committee took up the issue during the farm bill markup? Were you in support of maintaining proven

yields, or did you feel at the time it was necessary to change from proven to program yields?

Mr. WILLIAM BAILEY. Congressman, you ask about proven yields. I have been advised that the question of proven yields did not come up specifically during the deliberations.

Mr. DASCHLE. I would have to correct your memory if that is the case, Mr. Bailey. Clearly, the bill that left the subcommittee, the version that was passed out of this subcommittee and ultimately the committee, whether you call them proven or actual yields, that was the basis upon which we made our bases and yields section of the bill.

The question I am asking is, what was the administration's position on the actual yields concept that was passed out of the committee?

Mr. WILLIAM BAILEY. Just a moment, sir.

I am not clear if we took a definite position on that. I would be more than happy to get back to you clarifying that, though.

Mr. DASCHLE. I would hope that for the record you could do that.

[The information follows:]

Although the Department opposes H.R. 4105, it did not have a position on the yields provisions contained in H.R. 2100, as reported by the Committee on Agriculture.

Mr. DASCHLE. As I understand it, you had a great deal to do with the way that legislation was passed out of committee.

The concern that I have is, out in South Dakota and I am sure in the upper Midwest, the letters that are going out, the whole mind set given many of these farmers is that because Congress acted and because the Congress decided what they did in the conference and ultimately in this farm bill, we are compelled to use program, not proven yields.

I think it is extremely important for the record to ensure that everyone understands the reason you are compelled to do what you are suggesting now must be done is because the administration's position was very clear in the conference. The administration's position all along has not been in favor of actual yields, has been in favor of a change to the program yield concept that you have in the bill today.

As a matter of fact, as I understand it in conference, some members were told the President may even veto the bill unless some changes in this actual or proven yield concept are made and that we move over to a program yield concept the likes of which we now have in the farm program.

That is the issue, and I really think it is important that that record be clarified and that everyone understand the reason why Congress ultimately resolved this issue as they have. I know that we have to be concerned about costs. But, woe be it to anybody who would bring up income.

But I hope, given all the information you have about the increase in costs in this particular case, you can tell us what would be the impact on income. If we do not change anything, if we go through this crop year as a result of the deliberations we made in conference with your insistence, can you tell us what impact you think it will have on farm income?

Mr. WILLIAM BAILEY. It would vary from farmer to farmer, commodity to commodity.

Mr. DASCHLE. Obviously it would, but percentagewise give us some indication as to the estimate you think—the impact it will have on the average producer.

Mr. WILLIAM BAILEY. Once again, it is contingent upon whether or not he has gone with program yields, whether he has proven his yields. I would find it very difficult to put an exact percent on that, sir.

Mr. DASCHLE. Well, I have a feeling you find it very difficult not because you do not have the information or because you do not have the figures but because you are afraid to tell the truth. The fact of the matter is that you know it will have a devastating impact on farmers' income this year.

As a matter of fact, if most people will average this out, if they will calculate it, as already most of them have, they are indicating that they could lose 25 percent of their eligibility for benefits as a result of this change. So obviously if I were you sitting there I would not want to talk about it either, but that is the impact of it.

So of course we have got to talk about budget, but we also have to realize income, and we are going through one hell of a time out there. We must make some kind of a change to take lost farm income into account. I sure hope that we can have a little more cooperation when it comes to making this kind of a change called for in the Foley bill, and we had better do it pretty darn soon.

I thank the chairman for his time.

Mr. FOLEY. Mr. Bailey, you always have an opportunity to make any comments, if you wish. I do not want to push you to responses, but I want to assure you, if there is any comment you might wish to make or response to a question, you will be recognized for that purpose.

Mr. WILLIAM BAILEY. Thank you. I appreciate that.

Mr. FOLEY. Mr.—I think you are next in line. Your name is Roberts.

Mr. ROBERTS. Yes.

Mr. FOLEY. And you are from Kansas, and you have only been a member of this committee for 22 years; is that right. [Laughter.]

I was looking next door to Mr. Emerson, and I decided I had overlooked you. I am sorry.

Mr. ROBERTS. I was here when sex was dirty and air was clean, Mr. Chairman, and I am here. [Laughter.]

Mr. FOLEY. I want to recognize one of the most able, articulate, and devoted members of the Committee on Agriculture in either party, the distinguished gentleman from Kansas, Mr. Roberts.

Mr. ROBERTS. I thank my subcommittee chairman, Mr. Foley. [Laughter.]

I want to go on record as strongly supporting H.R. 4105 introduced by Mr. Foley which will provide that 1986 and 1987 program payment yields cannot be less than the 1985 program yield. I strongly support the legislation.

I want to also associate myself with the remarks made by my colleague and friend, Mr. Stangeland from Minnesota; I think he made a very excellent statement. I was a coauthor and a cosponsor of the Stangeland amendment until it became controversial. It used

to be the Stangeland-Roberts amendment; now it is just the Stangeland amendment. [Laughter.]

I am not going to give Mr. Bailey a hard time. I do not think he is really coming from that direction. He has cost savings to make, as directed by the people on this committee, in part, who played with the "Grambo" doll—the Gramm-Rudman situation.

So I know you have an obligation, sir, to achieve as much cost savings as you can, and that is where you are marching from. So if you want to sing the song, I notice your name is Bill Bailey, if you want to come home again, Bill Bailey, you can, I am not going to give you a hard time.

Mr. WILLIAM BAILEY. Thank you.

Mr. ROBERTS. I want to read a letter, if I can, from a farmer in my district. I will not go into the entire letter, but it says:

> Last year my proven yield on wheat was 40 bushels per acre. With the yield I had last year, it should have risen to 41 this year. I just called my local ASCS office and found out my yield for this year has been cut to 33 bushels per acre on wheat. Just this one area is going to lower my deficiency payment $9,060 from what it should have been.

Put this together with Gramm-Rudman, the cross compliance provision—which we have taken care of, by the way—and you have absolute disaster. If we think we have seen problems in the past, just wait. I don't know what the farmer's share of balancing the budget should be, but 25 to 30 percent of our gross income is way out of line. That is the comment made by my other colleague.

We put some figures together. The loss to Kansas wheat farmers in regards to the 1985 wheat harvest and 80 percent program participation, if we go with the 1985 Kansas average yield and we assume the proven yield, the loss to Kansas farmers is somewhere in the neighborhood of $50 million.

On an assumption of a typical 1,000-acre farm, that farmer gets $4,117 less. Obviously, the example of the farmer with an average yield of 33—and it went up to 41—is much more severe.

Now, Mr. Marlenee asked you, Mr. Bailey, what was the USDA's role in this respect? Do you want the program to work, or do you want to achieve cost savings? Obviously you want both, and I will answer that for you. But I can tell you there is going to be hell to pay out in farm country if we do not get this proven yield situation taken care of, and those cost savings to OMB—bless their hearts—and those on the committee, not us, who voted for, say, the Gramm-Rudman provision, I know those are cost savings, but they are also loss of revenue to the farmer during very, very difficult times, and that is why I am strongly supporting this bill.

Now, as to the other portion of this and the Traxler bill and the Schuette bill, I have a little feeling about this as well. When Mr. Stangeland and I were talking about this, we wanted supply management in this bill, and we thought, all right, if you could voluntarily reduce your acreage 50 percent and then have the farmer get some benefit out of that idle ground, that is where we were headed.

It is always amazing to me that these nonprogram crop spokesmen—spokespersons—whatever—always come to the committee and say, "We don't want any farm program; we're for the free market," until the market becomes a little too free.

My good soybean friends are all for a free market, but they just did not really think it would become quite this free. When it goes below $5.02 they want a program; when it goes above $5.02 they do not want a program. I can sympathize with that. The same thing with popcorn, and sunflowers, and dry beans, and all of the rest of it.

But I have a little feeling about that, and, like Mr. Stangeland, I wish they had come to the party a little early in regards to some of the errors that we perhaps made, say, with the legislation.

I really do not know which is the proper way to go on this problem, and I would ask you that question again, perhaps, that Mr. Marlenee asked. Should the Secretary have discretion in regard to these program crops, or should it just be a simple ban in regard to dry beans?

Mr. WILLIAM BAILEY. Historically, the Secretary has not demurred when it came to increased discretion for him to implement programs. In this case, if there are going to be some dispensations for some of the nonprogram crops which have been adversely impacted by the 50/92, one possible alternative would be, rather than make a commodity by commodity by commodity decision on the part of the Secretary, to allow some flexibility for those acres to be used for conservation acreage.

The chairman asked me to respond if I did have some comments on the Traxler-Schuette bill dealing with dry edible beans or nonprogram crops. My home is the dried pea and lentil capital of the world—Moscow, ID—and I spent most of my life driving around with "Famous Potatoes" on my license. As a result, it pains me to see some of the people coming in who have been adversely impacted by the provisions of 50/92.

But if the farmers do have some increased flexibility to make planting decisions, then they are the ones who should be making that decision, rather than have the Secretary.

In response to the yield question, looking back, the atmosphere, the environment, the whole question was discussed in conference as a cost-saving measure, a $1.2 billion savings. I think that is part of the environment we need to keep in mind as we discuss what most assuredly are reductions in some of the program benefits to some of the participants.

Mr. ROBERTS. Mr. Chairman, I ask unanimous consent for 1 additional minute that I may yield to my good friend, Mr. Stangeland.

Mr. BEDELL [acting chairman]. Without objection.

Mr. STANGELAND. I thank the gentleman for yielding.

I would just like to point out one thing, Mr. Bailey. I would have no quarrel if the legislation had been drafted in this manner, that we will pay you your full deficiency on the acres you plant to the program crop, and then you can take those other acres and plant them to anything you want to. That might be a better out.

What we are saying is, we are going to pay your deficiency on those acres you do not plant. So we are giving that farmer an edge to plant a nonprogram crop, and I think we have to admit that, and that apparently was a mistake.

If we were not giving that wheat farmer, that corn farmer, that edge of paying him for not planting those program acres, if we were not giving him that edge, then we might want to throw this

open to the free market and let him go in and plant. But he has a definite edge over the edible bean producer if he plants edible beans, because he is already getting paid, in effect, what is a modest diversion payment for not planting those acres.

I do not think the playing field is quite level, and as the author of the bill I have to be the first to admit it, and I think if I am big enough to admit an error then I think maybe the Department ought to relook at this thing.

Mr. ROBERTS. I again want to associate myself with the remarks made by my good friend.

Let me ask you one more question. Do summer fallow acres count on the 92/50 acres? I think you have indicated that.

Mr. WILLIAM BAILEY. Yes, sir.

Mr. ROBERTS. OK. Thank you.

I yield back.

Mr. BEDELL. If I might, Mr. Bailey, do you disagree with what Mr. Stangeland just said in regard to the level playing field? He said the playing field is not level because those who are getting the Government payment are competing unfairly with people who do not get a Government payment. Do you disagree with that?

Mr. WILLIAM BAILEY. There is a subsidy there for program participants which is not available to nonprogram participants; yes, sir.

Mr. BEDELL. OK. Thank you.

Mr. Volkmer.

Mr. VOLKMER. Yes. I would like to continue it on a little bit then.

Would you agree to legislation that would eliminate the deficiency or the diversion payment for those underplanted acres in the event that they are planted to nonprogram crops?

Mr. WILLIAM BAILEY. We would be more than happy to take a look at such a recommendation; yes, sir.

Mr. VOLKMER. We might be able to look at it from that aspect rather than the aspect of this legislation we have. But I think we need to do something soon, because everybody is preparing to plan.

As I understand it from reading some of the other testimony, in certain areas it is already difficult to find seeds for dry beans. So undoubtedly we have other people planning to plant also, and we need to correct this as soon as possible. If you all could agree to that and we could agree to that, we may be able to come up with a solution in that way.

On the other problem, I, as a cosponsor of course of H.R. 4105, strongly support it, because when I saw that in the conference report, that was one of various things that caused me to vote against it, because I anticipated that that was going to cost my producers who participate in programs more than Gramm-Rudman ever was going to cost them.

When you estimate the amount that they are losing out of proven acreage, which they have been able to increase, and you know the conditions of my district, with the droughts that we had in 1983 and 1984, and if they have to go to program yields instead of proven yields, it is going to cost some of them up to $40 or $50 an acre. That is more than Gramm-Rudman is ever going to do to them.

So I think, only in fairness, if we in the Congress and we in the House here, basically, I thought, made some sort of a commitment that we would not reduce the farm income maintenance from the Government in the crop year 1986, and this does it, does it not?

Mr. WILLIAM BAILEY. Yes, sir.

Mr. VOLKMER. I know that that is not necessarily your position. You did not make that commitment, and I know that, but we did, and therefore I think, in all fairness to the farmers, unless we want to see—cash prices are going to go down, we know that, and so you are saying if we leave this provision in the law, even with the 4.3 cut, that is not going to cut nearly as much as this is to my farmers on the base and yield. Their payments are going to go way down, and they are going to lose more money on this than they are on that 4.3 any day.

So I just wanted to let you know that I think there is strong support here in this body to correct this.

Mr. MARLENEE. Would the gentleman yield?

Mr. VOLKMER. Yes.

Mr. MARLENEE. Eliminating the deficiency payments on those acres that were not planted——

Mr. VOLKMER. Underplanted.

Mr. MARLENEE. Underplanted, yes. Would that result in cost savings?

Mr. VOLKMER. Yes, it definitely would.

Mr. MARLENEE. I am a bit confused, if the gentleman would yield further. First the Department says, "We are not going to accept any changes in the bill," and then all of a sudden they are talking to you about on underplanted acres eliminating deficiency payments, "Well, we will look at that."

Mr. VOLKMER. Diversion payments, yes.

Mr. MARLENEE. Yes. I thank the gentleman for yielding.

Mr. VOLKMER. At least, I think, Mr. Bailey is trying to be honest with us. He came here with one viewpoint, but I think he now fully understands the problem, maybe just a little bit better, and I think he sees where the House lies and that if we do it in the way we have discussed, we will end up possibly making saving.

We could end up, though, with nobody underplanting. We could end up with all the wheat and grain producers going ahead and doing their full base less their set-aside and less their diversion. Is that not correct?

Mr. WILLIAM BAILEY. Yes, sir.

Mr. VOLKMER. And nobody going to into other than program crops on that underplanted acreage because they feel they are not going to get that extra amount, and if they do go in it, they are going to drive down the price of that and lose money there also.

Mr. WILLIAM BAILEY. Yes, sir.

Mr. VOLKMER. So we have to understand that. So if they go the full amount, they are going to get their deficiency payment on the full amount.

Thank you, Mr. Chairman.

Mr. BEDELL. Mr. Emerson.

Mr. EMERSON. Thank you, Mr. Chairman.

Mr. Chairman, as a cosponsor of H.R. 4105, I want to take a moment to reiterate my support for it and remind my colleagues of its importance to farmers all across the Nation.

I also want to associate myself with the remarks of the gentleman from Minnesota, in his description of how we arrived at where we are and to ask you in the Department, the administration, Mr. Bailey, to revisit this matter with us so that we can cooperate in solving a very legitimate problem rather than to have to be in an adversarial position.

If current law is allowed to stand, we will actually have in effect a policy that penalizes farmers who have been able, very legitimately, to improve their productive capacity.

By calculating current yields on the basis of past program yields assigned rather than proven yields, we are creating a situation under which 1985 program yields could be affected by past yields going back as far as 1976.

In the past decade, many farmers in my district have made substantial improvements in their operations which have resulted in improved yields. That is what they have tried to do.

So unless we act now, farmers are going to be haunted by history rather than rewarded for a job well done in recent years, and this bill only ensures that the yields they have achieved as of 1985 cannot be taken away from them, and I think that is only fair.

Thank you, Mr. Chairman.

Mr. BEDELL. Mr. Glickman.

Mr. GLICKMAN. Thank you.

Mr. Bailey, do you have any idea, numberswise, what the reduction in income will be as a result of the yields provision in the farm bill and what it would be if the Foley bill were adopted?

That is, Mr. Roberts and others were talking about the effect on particular States. Do you have any national figures on, let us say, what the cost or the benefit you might believe would be of this particular provision?

Mr. WILLIAM BAILEY. Because of the cost saving associated with this, it goes without saying that there would be a reduction in benefits accruing to program participants.

When it comes to a reduction in income, I do not have those figures available, Congressman.

Mr. GLICKMAN. You have in your statement $850 million.

Mr. WILLIAM BAILEY. Yes, sir.

Mr. GLICKMAN. That is a 3-year increase in outlays?

Mr. WILLIAM BAILEY. Two crop years, costs incurred over 3 fiscal years.

Mr. GLICKMAN. If we could find other places to pick up some of those dollars, how would the administration feel about a change in this law?

For example, we have a $2 billion export bonus program, that you all have seen fit to implement about 3 percent of what we have given you the authority to do. What if we took some money out of there and put it into here? How would you feel about that?

Mr. WILLIAM BAILEY. I——

Mr. GLICKMAN. The record will show that Mr. Bailey is thinking very carefully right now.

Mr. ROBERTS. Would my colleague yield?

Mr. GLICKMAN. I would be glad to yield.

Mr. ROBERTS. I just wanted to respond to his earlier question. Our best estimates in regard to the cost savings—which, I think, if you turn the sword over, it is a loss of revenue to the farmer—range somewhere between $800 million and $1.4 billion, depending on whose yardstick you use.

Mr. GLICKMAN. Is that a 2-year, a 1-year?

Mr. ROBERTS. No, 2 years.

Mr. GLICKMAN. Two years, OK. I am trying to figure out, though, whether they will agree to some sort of bill ultimately, that we may be able to pick up some money somewhere else in order to get this changed.

Mr. WILLIAM BAILEY. Correct me if I am misinterpreting the thrust here. In one case, you are talking about direct income to the farmer, which he has foregone as a result of the change in the yield measurement.

Mr. GLICKMAN. Yes.

Mr. WILLIAM BAILEY. In the other case you are talking about a more aggregate approach, more diffuse cost savings, some of the other commodities, in that you would not have a direct reflection on the farmer's bottom line, as does the change in the yield.

Mr. GLICKMAN. But let us talk about the direct loss of income to the farmer. What I am trying to figure out is, let us just hypothetically state that your numbers are right and this was a cost saving measure, although I happen to believe that farmers were misled by this. But the question now is, we are going to work on a bill that changes this.

Your statement indicates you do not support that bill. Is that correct? At least you do not support Mr. Foley's bill, H.R. 4105.

Mr. WILLIAM BAILEY. That is correct.

Mr. GLICKMAN. All right. But does that mean that you categorically oppose any attempts to legislatively change this matter before signup is completed?

Mr. WILLIAM BAILEY. Never say never, Congressman, and the three pieces of legislation before you, I am up here to say, we do not support. Alternative approaches we would certainly want to take a good look at.

Mr. GLICKMAN. You see, I think that this particular income loss in the 1985 farm bill is actually much greater, at least during the first year, than anything found in the Gramm-Rudman proposal. But when you combine the two, there is clearly some income loss there that was not anticipated, and I think we all have an obligation, given the current state of the farm economy, to rectify this, to remedy this, and you are going to be pressured by the passage of legislation over here and in the Senate to either stonewall and say no changes or else agree to some changes, which I think you are going to find in this particular commodity, in dairy, and in a few others as well, and unless you play ball it is going to be sent to you and you are going to have a very hard political choice to make.

Mr. WILLIAM BAILEY. Yes, sir.

Mr. GLICKMAN. And I assume you understand that.

Mr. WILLIAM BAILEY. Yes, sir.

Mr. GLICKMAN. OK. Now I would like to ask you also about the other issue which has to do with the planting of nonprogram crops.

Do you currently have any discretion in this area to limit—so you have no discretion at all.

Mr. WILLIAM BAILEY. No, sir. No matter how many times we look at it, it is still defined very clearly in the law that nonprogram crop means any commodity other than certain——

Mr. GLICKMAN. I would have to agree a little bit with my colleague from Kansas, Mr. Roberts. I think this is a kind of difficult public policy issue, because on the one hand we have got farmers in our part of the country who lay land aside largely because of this particular farm bill, and they feel that they ought to have the flexibility and the freedom to plant whatever they want to on that land, and they felt that that bill did not limit their freedom, and therefore if we go with the provisions of Traxler or whoever, it is taking again another right away from them as to make up income lost from the marketplace of farm legislation. On the other hand, I can see the worries of specialty crop folks.

I ask unanimous consent for 1 additional minute, Mr. Chairman.

Mr. BEDELL. Without objection.

Mr. GLICKMAN. The question is, what is your feeling as to the philosophy behind this particular provision? Was it a conservation-based provision, or was it basically an income-based provision? That is, the 50/92 provision. I think that goes to the heart of what we ought to do with this particular proposal.

Mr. WILLIAM BAILEY. There are people who say it increases, of course, the flexibility of farmers to make planting decisions, but I think, going even further back, there were some instances where farmers did not plant as much as they could have under programs and had their benefits reduced a certain amount—unintentionally did not plant as much as they should have—and I believe that at first blush this was an attempt to address farmers who unintentionally planted less than they were permitted under the base, an underplanting provision: "I didn't plant as much as I should have, as much as I could have, through a mistake of my own. I should not be penalized."

Mr. GLICKMAN. I would just make the point to those who want to rush to judgment on passing the Traxler or other bills that you have a lot of farmers out there who are seeing their income being reduced for a lot of different reasons—the 1985 bill, the budget cuts that are taking place, and the marketplace—and therefore to just go willy-nilly and pass this provision is going to affect income of some farmers who will lose.

On the other hand, I do not want to see a range war, or a war, develop between different commodity groups, and that is what will happen probably if we do nothing. Between now and 2 o'clock we have got to figure out what to do with it, because I understand we are going to be——

Mr. ROBERTS. Mr. Chairman, I ask that the gentleman from Kansas—and I beg the committee's indulgence—be granted one additional minute and that he might yield to me.

Mr. GLICKMAN. I would be glad to yield.

Mr. BEDELL. We will grant an additional minute to both gentlemen from Kansas.

Mr. ROBERTS. Thank you.

I think the gentleman was absent from the room when Mr. Stangeland made his statement and then I made the statement, and I think Mr. Evans was also involved, but the primary intent of this provision during the considering of the bill was, in part, a supply management tool, discretionary, if you will, that allowed a farmer to set aside 50 percent of his ground and then get some income back.

We have all stated that we did not really foresee some of the problems that we are now experiencing and that it would be up to the Department to help us correct that situation.

I was wondering, in line with the gentleman's comments—and I think he has made an excellent statement in regard to—I do not want to say we are robbing Peter to pay Paul or, in this case, Ivan, maybe, the Russian, in terms of who would get the benefit of the credit assistance or the $2 billion, but I think you have made an excellent suggestion.

Do you still feel the same way about PIK payments back to farmers to make up the difference for the proven yield? Is that a budget outlay, in your definition?

Mr. WILLIAM BAILEY. From an accounting perspective, PIK payments are not counted as outlays; no, sir.

Mr. ROBERTS. As the gentleman from Kansas knows, and we both know, that may be the direction of the Senate answer to this particular problem. So that is, I think, in keeping with his suggestion.

I thank the gentleman.

Mr. GLICKMAN. I have got a couple of seconds to yield to the gentleman from Louisiana.

Mr. HUCKABY. I thank the gentleman for yielding.

Mr. Bailey, in arriving at this cost figure or savings figure, do you have the estimates of the change in yield on a national basis for the major four crops, using program yields versus proven yields?

Mr. WILLIAM BAILEY. Program versus actual, yes, sir.

Mr. HUCKABY. Yes. I mean, is wheat going from 30 bushels to 27 bushels? Is cotton going from 600 pounds to 500 pounds? Do you have that data available?

Mr. WILLIAM BAILEY. Would you like me to read it into the record?

Mr. HUCKABY. Yes, please.

Mr. WILLIAM BAILEY. OK. Actual yields—are we talking crop year 1985?

Mr. HUCKABY. Yes, but for the 1986 crop year that is going into effect, in other words.

Mr. WILLIAM BAILEY. OK. For wheat, actual yield of 37.3 bushels, program of 33.6; corn, 110; actual program, 106; cotton, 578 actual; program is higher at 587; rice, actual, 48.28; and program for rice also was higher at 48.84.

Mr. HUCKABY. Thank you.

Mr. WILLIAM BAILEY. Yes, sir.

Mr. BEDELL. If the Chair might, I think we should clear up what happened in regard to the yield situation.

First of all, Mr. Bailey, in the original legislation that the administration proposed to the Congress, it did not go by program yield, it went by actual yields. That is correct, is it not?

Mr. WILLIAM BAILEY. I believe so; yes, sir.

Mr. BEDELL. And what happened was, at the end of the conference, in an effort to try to meet the savings requirements which the administration insisted upon, at the very end of the conference, in order to get those savings, at administration insistence, it was changed to program yields. That is correct, is it not?

Mr. WILLIAM BAILEY. Yes, sir. That was the environment.

Mr. BEDELL. I think everybody needs to understand exactly how this occurred and what happened.

Mr. WILLIAM BAILEY. Yes, sir.

Mr. BEDELL. Thank you.

Mr. MARLENEE. Mr. Chairman.

Mr. BEDELL. Yes.

Mr. MARLENEE. Mr. Chairman, I have a unanimous consent request that the statement of Douglas Bereuter be inserted in the record immediately before the testimony of Mr. Bailey of USDA.

Mr. BEDELL. Without objection.

Mr. Evans.

Mr. EVANS of Iowa. Thank you, Mr. Chairman.

Mr. Bailey, I want to use my time on the subject of nonprogram crops on underplanted acres, but I want to approach it from a somewhat different point of view since I think most of the material that would be obvious from the short-term crisis problem has been pretty well covered.

Once again, we—and I include USDA and this committee and the administration—are approaching things from a crisis management point of view, and we all must share some blame for that.

I would like to look at what I think is a rather important longer-term partial solution, perhaps, to some of our problems that might fit in here. I do not know if you are familiar with it since I think it is not under the part of the Department in which you function, but I believe that about 2 years ago the Secretary appointed a task force, and I cannot identify its precise official name, but I will define its task by saying that it was charged with looking at the possibilities of domestic sources of industrial raw materials that are now being imported which could be grown on agricultural lands in the United States.

That was a joint Government and industry effort. It was strongly supported by one of the very large corporations in this country, Procter and Gamble, who thought that within its own industry there was a great need for some of these specialty oils and materials that were being imported from other countries that could be produced domestically.

It seems to me that there is something here that ought to be considered as we look at what we ought to do about this current crisis-type problem. That task force identified a rather broad range of commodities that could be grown in the United States on agriculture land for which ultimately there would be substantial industrial demands and displacement of imports.

The task force did not suggest that this was any panacea for the problem of our great need for new crops and new markets in agriculture in this country. It made it very clear that this was going to be a slow bootstrap type operation, that both the farmers, the producers, had to learn how to grow these things and industry had to

learn how to process them and build the appropriate plants to do so. But there was great interest on the part of industry to do this.

Now it seems to me that one of the things that we ought to permit and encourage on underplanted and diverted acres in this country is the production of that class of crops which compete with no other markets in this country and do not displace the present nonprogram dry bean grower or what-have-you.

I know you have been opposed to these bills, but it is my intention as we go forward in the afternoon to try to include such encouragement on uses of underplanted acreage and set-aside acres for the production of this class of crop that compete with no other nonprogram crops in the United States.

Setting aside the problem for the moment of your opposition to the bill, how do you feel about that as a philosophical proposition?

Mr. WILLIAM BAILEY. Once again, we would be getting into an area wherein there may not be a domestic source for an imaginary crop—green, leafy widget.

Mr. EVANS of Iowa. Guayule is one example of many, many, many.

Mr. WILLIAM BAILEY. Yes. Let us assume green, leafy widgets.

Mr. EVANS of Iowa. Yes.

Mr. WILLIAM BAILEY. And for a few years we are subsidizing and encouraging the growth of green, leafy widgets. A domestic market develops, demand stronger than what we had envisioned. At some point, if there is a subsidy, it would have to be reduced or removed, and that inevitably is a very difficult program to take.

But your thoughts—encouraging production of commodities which are not traditionally being grown—it is certainly one of the attractive features of the 50/92 provision.

Mr. EVANS of Iowa. My thought on that is that there would be a subsidy under those conditions but there would not really be a subsidy if it was permitted to be grown on diverted and set-aside acres. Would you have any comment on that?

Mr. WILLIAM BAILEY. That certainly would be an interesting option.

Mr. EVANS of Iowa. Yes. Thank you.

I yield back my time.

Mr. BEDELL. Mr. Schuette.

Mr. SCHUETTE. Thank you, Mr. Bedell.

Mr. Bailey, is it correct to say that an intent of the 92/50 provision was to reduce the number of planted acres of heavy surplus crops like corn and wheat? Is that a fair description of an intent?

Mr. WILLIAM BAILEY. Yes, sir.

Mr. SCHUETTE. Does the Department have an estimate, under the 92/50 provision, as it stands now, noting I would like to see it changed—do you have an estimate of, in addition to the 20-percent set-aside, say, for corn, and then you go back to the 92/50 provision—do you have any figures at hand, or could you prepare them over the noon hour, of how many additional acres of, say, corn and wheat would not be planted in terms of at harvest time?

Mr. WILLIAM BAILEY. We do not have it. We could make a stab at it.

Mr. SCHUETTE. Could you make a stab at that over the lunch hour for me, please?

Mr. WILLIAM BAILEY. Yes, sir.

Mr. SCHUETTE. If you would. Thank you.

[The information follows:]

The Department of Agriculture estimates the 92/50 provisions contained in the Food Security Act of 1985 result in reduced plantings of wheat and feed grains of 2-4 million acres.

Mr. SCHUETTE. I have a few "yes" and "no" questions, Mr. Bailey.

Would you agree that the U.S. Department of Agriculture has in the past, in certain instances, broad discretion and inherent ability and power to act in a discretionary capacity?

Mr. WILLIAM BAILEY. It certainly does have in some areas discretion.

Mr. SCHUETTE. That is a fair yes, that, yes, there is a discretionary power there.

Am I correct in saying that the PIK Program was not provided for specifically with legislation but indeed there was a discretionary feature, as the Secretary interpreted it to be, to have PIK come into being?

Mr. WILLIAM BAILEY. As I recall, there was a general legislative justification—generic justification—for it, the CCC charter.

Mr. SCHUETTE. So that did not come out of any discretionary power inherent to the Secretary?

Mr. WILLIAM BAILEY. He had the broad authority, and he exercised certain discretion; yes, sir.

Mr. SCHUETTE. OK. Third, would you yes or no to the question, does the Department have a responsibility to protect a balance among commodities? Yes, or no?

Mr. WILLIAM BAILEY. A guarded yes.

Mr. SCHUETTE. Would you see a function of the U.S. Department of Agriculture in a responsibility to protect and prohibit adverse impacts to nonprogram crops, nonsubsidy crops, by other farm programs? Yes, or no?

Mr. WILLIAM BAILEY. Could you——

Mr. SCHUETTE. I will run it by you again. Yes, or no: Does the Department of Agriculture in this country have a responsibility to protect nonprogram crops from adverse impacts due to other elements of the Farm Program? Yes, or no?

Mr. WILLIAM BAILEY. Statutorily, no.

Mr. SCHUETTE. Does it have a responsibility? Yes, or no?

Mr. WILLIAM BAILEY. It would appear yes, sir.

Mr. SCHUETTE. It would appear yes.

Would you agree that dry beans, vegetables, cauliflower, hay, popcorn, sweet corn are not program crops and have not received Federal price supports in the past?

Mr. WILLIAM BAILEY. Yes, sir.

Mr. SCHUETTE. Would you also agree that the Department's attitude is that farmers should have the flexibility to make decisions, farmers or business managers, making decisions assessing market forces?

Mr. WILLIAM BAILEY. Yes, sir.

Mr. SCHUETTE. Now, you have said in response to Mr. Foley's question that basically the 92/50 provision, we are having Govern-

ment dollars to encourage nonprogram crops that have not been traditionally planted in the past. Is that not a spin-off of what the 92/50 provisions have happening?

Mr. WILLIAM BAILEY. Yes, sir.

Mr. SCHUETTE. You have also stated that nonprogram crops, specialty crops, will be directly affected and prices may drop. You stated that as well in response to his question; correct?

Well, as my friend, Mr. Bedell, would say, for the life of me, I cannot understand why the Department, which was professing an attitude of having sensitivity to market forces, is now impacting nonspecialty crops, nonsubsidized crops, nonprogram crops, by the 92/50 provision.

I am not saying that the 92 percent deficiency payment is not a proper income bridge to farmers, but when you let those 50 percent of the other permitted acres come into dry bean production, or alfalfa, or vegetables, I think there is a real problem there.

Dry bean producers want equal treatment. In the past, it has not been a program crop. They have been, indeed, free market. Only now with this change do we have nontraditional crops coming into this crop production.

I am struck by, I think, an attitude of unwillingness to help, turning a deaf ear and a dead hand to farmers, and I would certainly encourage the Department to relook at this. We need a change here, and I think fairness to farmers demands it.

I thank you, Mr. Chairman.

Mr. BEDELL. Mr. Foley.

Mr. FOLEY. Mr. Chairman, there may be some additional questions of Mr. Bailey, but before the Chair recognizes members for those, I was wondering if we could have perhaps an expression from some of the witnesses who are on this afternoon's schedule as to whether they would prefer if the subcommittee were to retain members during the lunch hour to testify without interruption, thus affording some of the witnesses an opportunity for an earlier departure perhaps from the subcommittee that would otherwise be the case.

This would entail the subcommittee moving directly following Mr. Bailey's testimony to the testimony of Mr. Bud Leuthold of Billings, MT, Mr. Donovan Loeslie of Warren, MN, and Mr. Dain Friend of Washington, DC.

Are those witnesses in the committee room?

[Show of hands.]

Mr. FOLEY. Would anyone have any problem with testifying immediately?

[No response.]

Mr. FOLEY. The panel following that would be Mr. John C. Datt, Mr. Doug Michael, and Mr. John Connolly.

Are those witnesses in the hearing room?

[Show of hands.]

Mr. FOLEY. Would they have any problem? No problem.

The third panel is Messrs. Barlow, Wilson, Erhman, and Kelley.

I think, Mr. Chairman, there are sufficient witnesses to proceed during at least another hour of testimony, and it will expedite the subcommittee's business. If the witnesses are not inconvienced by that, I would suggest that we do that, and the subcommittee will

proceed to hear the panels immediately following Mr. Bailey's testimony.

Thank you.

Mr. BEDELL. Is there any objection?

If not, we will proceed.

Mr. Marlenee.

Mr. MARLENEE. Mr. Bailey, given your direction and the Department's direction to allow nonprogram crops to be seeded on acres that are not of the allotment that are not seeded where the deficiency payments are given, what is the intent of the Department with regard to haying and grazing?

If, for instance, above your 50 percent and up to the 92 percent you have winter wheat seeded already and already in the ground, and the producer decides that he wants to hay and graze or clip, what is the direction of the Department on that? Are you going to allow the haying and grazing? That is a nonprogram crop when you harvest the hay, when you graze it.

Mr. WILLIAM BAILEY. Just a point of clarification. Are we talking about your set-aside or your 50/92 acres? There are two different issues here: grazing on your set-aside or grazing on the land which you are permitted to plant on but have decided to graze out over and above your 50 percent.

Mr. MARLENEE. May we have order, Mr. Chairman?

Mr. BEDELL. The subcommittee will be in order.

Mr. WILLIAM BAILEY. It has been pointed out in the first example, that is, you have your 25 percent set-aside acreage reduction.

Mr. MARLENEE. I am not talking about set-asides.

Mr. WILLIAM BAILEY. OK. Then in the 50/92 there are no constraints placed upon the grazing.

Mr. MARLENEE. You can hand-graze it?

Mr. WILLIAM BAILEY. Yes, sir.

Mr. MARLENEE. And you can get deficiency payments on it as long as you do not harvest it?

Mr. WILLIAM BAILEY. Up to 92 percent of that; yes, sir.

Mr. MARLENEE. As long as you do not harvest it.

Mr. WILLIAM BAILEY. Yes, sir.

Mr. MARLENEE. Do you have any further comments on that? I see some discussion there.

Mr. WILLIAM BAILEY. Well, just keeping in mind you do have to harvest 50 percent of your permitted acres.

Mr. MARLENEE. All right. You can harvest up to 50 percent of your permitted acres.

Mr. WILLIAM BAILEY. Yes, sir.

Mr. MARLENEE. And then you recognize the right to hand-graze up to the 92 percent above the 50 percent, and there are no restrictions on that.

Mr. WILLIAM BAILEY. Yes, sir.

Mr. MARLENEE. OK. I appreciate that clarification. I do not think some of the county offices have that clarification.

Next on proven yield records, is it and will it be the policy of USDA if the law remains the same to accept—and I would urge you to accept—accept the proven yield figures for records and for record purposes in the county offices.

Some of the producers have gone in with their proven yields, and the local county office manager just laughed at them and said, "Hey, we don't need these any more; under the 1985 law we're not going to use them anyway, and we don't want them here."

I question the wisdom of that. I would say that if a producer wants to establish his yields for the records that you should accept them.

Mr. WILLIAM BAILEY. I would certainly encourage them to retain those records also. But when it comes to the yield determination for 1986, the yield has already been established.

Mr. MARLENEE. Regardless of the law, we understand, we do not know whether we will change the law or keep it the way it is, but my question is, will you accept those as part of an information base maintained in the office?

Mr. WILLIAM BAILEY. Yes, sir.

Mr. MARLENEE. Thank you.

Mr. BEDELL. Will the gentleman yield?

Mr. MARLENEE. I would be happy to yield.

Mr. BEDELL. I think the question is, will you send out a directive to your county offices that they are supposed to accept it?

Mr. MARLENEE. As an information base.

Mr. BEDELL. For information, yes.

Mr. WILLIAM BAILEY. That seems reasonable; it really does.

Mr. BEDELL. If it seems reasonable, then the question is, do you think you might do something reasonable? Will you agree to do it, unless you advise us otherwise?

Mr. WILLIAM BAILEY. Yes, sir.

Mr. BEDELL. Thank you.

Are there any other questions?

We thank you very much, Mr. Bailey and Mr. Linden, for being here.

Mr. WILLIAM BAILEY. Thank you.

Mr. BEDELL. Our next panel consists of Mr. Bud Leuthold of Billings, MT, president of the National Association of Wheat Growers, accompanied by Mr. Carl Schwensen; Mr. Donovan Loeslie of Warren, MN, president of Minnesota Wheat Growers Association; and Mr. Dain Friend, president of the National Corn Growers Association.

Mr. Leuthold, you will be first, and you may either read your testimony or summarize it, as you see fit.

STATEMENT OF BUD LEUTHOLD, PRESIDENT, NATIONAL ASSOCIATION OF WHEAT GROWERS, ACCOMPANIED BY CARL SCHWENSEN, EXECUTIVE VICE PRESIDENT

Mr. LEUTHOLD. Thank you, Mr. Chairman.

Mr. Chairman and members of the subcommittee, the National Association of Wheat Growers appreciates this opportunity to present its views before the subcommittee regarding the provisions of the Food Security Act of 1985.

I am Bud Leuthold, a wheat grower, from Billings, MT, president of the National Association of Wheat Growers, and with me today is Carl Schwensen, the association's executive vice president.

We have a new Farm Act. It did not come easy, but I believe that it offers some real hope for the future. Everything was thrown into the discussion, and there was an extended search for novel solutions to agriculture's problems.

Innovations were found which can provide needed farm income protection in conjunction with stronger efforts to be competitive in the world market. These will not happen, however, unless steps are taken quickly to deal with defects in the law which directly affect the determination of farmers' income.

The Congress removed several program implementation problems when it recently passed Chairman de la Garza's technical corrections bill. Still outstanding, however, is the modification of the yield provision which drastically alters a grower's established output for farm program purposes.

In the past, farm program yields have been based on a 5-year average of proven or established yields, and growers have been able to have their efficiencies reflected in this annual determination.

The act, however, supplants this formula with a system which amounts to an average of averages utilizing yield history that dates back to the mid-1970's. It then freezes these reduced yields for 2 years and provides that the 5-year proven yield mechanism which could begin in 1988 will be based on 1983 to 1986 program payment yields and the 1987 program yield.

The effect is to immediately reduce the program yield for wheat producers by 10 percent nationally and by as much as 30 percent to individual growers. This will directly affect the level of deficiency payments made to individuals as well as the amount of payments-in-kind that they are eligible to receive.

Thus, growers who have achieved gains in efficiency through the use of improved seed varieties and improved farming practices are directly penalized. We hope that this is not what the Congress intended.

To correct this problem, the NAWG recommends that 3 of the previous 4 years of proven or established yields be used to determine program payments. Yields should not be frozen after 1987, and in 1988 and subsequent years program yields should be based on a moving 5-year proven or established yield determination.

Legislation before this subcommittee, H.R. 4105, would freeze program yields at the level established for 1985. We hope that a remedy at least this helpful can be adopted by the Congress prior to the March 3 program sign-up period.

Attention has recently been focused on another provision of the 1985 act. This is the so-called underplanting provision which would permit growers to seed only one-half of the permitted acreage to quality for payments on 92 percent of their permitted acreage. The remaining one-half of his permitted acreage could be planted to any nonprogram crop.

The NAWG has looked upon this provision as a means provided by Congress for a grower to diversify and generate additional farm income during a very serious economic period while not being forced to fully plant his permitted acreage to a crop already in surplus. It can also be used to enable a farmer to conserve land resources and reduce production expenses while retaining his acreage base.

Frankly, we wonder about the extent to which this provision will be used since nonprogram crop options will be limited by climate, markets, the availability of specialized machinery, and, most of all, economics. It will be difficult for many farmers to find a nonprogram crop which generate returns which outpace those they could gain by seeding all their permitted acreage to a program crop.

We all know that the Gramm-Rudman outlay reductions will take 4.3 percent off of 1986 target prices which Congress intended to freeze at 1985 levels. The Secretary of Agriculture has used his Findley provision authority to reduce the price support loan level for wheat by 20 percent in 1986, and the Gramm-Rudman sequestration will chop off another 4.3 percent.

Market prices are already beginning to seek the new, lower loan levels, and offsetting target price payments to farmers remain under the established payment limitations. The result is an intensified squeeze on farm income which is already averaging at Depression-era levels. For this reason, it is vital that all possible be done to preserve the benefits available to qualified farmers under farm programs.

Thank you for this opportunity, and I would be pleased to answer any questions at the appropriate time.

[The prepared statement of Mr. Leuthold appears at the conclusion of the hearing.]

Mr. BEDELL. Thank you very much, Mr. Leuthold.

Mr. Loeslie.

STATEMENT OF DONOVAN LOESLIE, PRESIDENT, MINNESOTA ASSOCIATION OF WHEAT GROWERS, ACCOMPANIED BY GORDON SONSTELIE, FIRST VICE PRESIDENT, AND GARY RUDNINGEN, SECOND VICE PRESIDENT

Mr. LOESLIE. Thank you very much, Mr. Chairman.

I want to thank the National Association of Wheat Growers for also yielding some of their time for one of their member States to come and voice their opposition to the calculation of the program payment yield for the 1985 Food Security Act.

With me I have Gary Rudningen and Gordy Sonstelie, who are our two vice presidents from Minnesota.

We can appreciate the Congress had a concern about designing a Farm Program that encourages additional yields when surpluses are already large and continue to build. Needless to say, most of us were surprised when we saw the true interpretation of the conference report, particularly when the press reports all claimed that the farm bill would protect farm income through a 2-year freezing of the target prices.

What was considered a simple fine-tuning of the farm bill has become a major and economically devastating issue for many Minnesota farmers and for farmers of other States. Congress changing the yield formula to reflect a farmer's current yield will be the determining factor whether many, perhaps thousands, of farmers will obtain operating loans this spring.

We had asked our county ASCS office to pull a random sample of the range of yield losses that can be anticipated in our county, and we have attached a copy of these comparisons for your review.

We are estimating that the loss in yield for the average Minnesota wheat grower can be as much as 10 bushels per acre under the yield calculation. More important, with the maximum deficiency payment of $1.98 per bushel, this equates to $20 an acre in lost income, and for many farmers the loss could be higher, as much as up to 20 bushels an acre or $40 per acre. For an already depressed rural economy, this is a loss of staggering proportions.

If you would bear with me, in the next paragraph I would like to make a technical correction in my testimony. In an editorial in the Forum, a regional newspaper published in Fargo, ND, the loss due to the yield formula for the various crops should be 20 counties rather than 2 counties; total, $150 million, of which $5 million was in Cass County in North Dakota. They used a factoring multiplier effect of 4, when they were estimating a regional economic loss could reach as much as $600 million.

I might add that we are projecting $50 million in Minnesota, as Congressman Roberts suggested in Kansas. What we see on the eastern part of North Dakota could be as much as $70 million.

The Farm Program is supposed to make the U.S. farm economy more responsive to market conditions for farmers to make their living from the marketplace, but already we are starting to have to ask where are some of these markets? The administration continues to decide which markets we have access to and which ones are off limits.

The administration is also attempting to erode the export PIK Program in the trade title of the farm bill, so that a big supply situation will continue. The speculation in the countryside continues to grow that lowering the prices, as called for in the farm bill, will not result in higher exports so that the only result could very well just be a lower price.

It is imperative then for keeping farm income supports for Congress to modify the yield formula in the farm bill so that farmers have the income protection they need to weather this storm.

Thank you very much.

[Attachment follows:]

'85 Program Yield	'86 Program Yield
46	39
56	42
48	38
45	38
53	40
53	43
51	44
52	29
40	28
52	44
49	38
51	32
52	44
50	39
57	44
50	42
49	38
48	32

'85 Program Yield	Buy '86 Program Yield
83	66
62	50
76	64
79	52
66	56
73	65
63	51
86	63
87	76
74	64
60	51
66	52
68	53

Mr. BEDELL. Thank you, Mr. Loeslie.

Before we go ahead, I would ask that a statement from Congressman Larry Craig be entered in the record. Without objection, it will be entered.

[The prepared statement of Mr. Craig follows:]

Date: February 18, 1986.
To: House Subcommittee on Wheat, Soybeans, and Feed Grains.
From: Congressman Larry E. Craig.
Re: Subcommittee hearing regarding the "92-50" underplanting provisions in the 1985 Farm Bill.

Dear colleagues: On behalf of the dry pea and lentil industries of Northern Idaho and Eastern Washington, I would like to submit the following comments:

Encouraging over production through the so-called "92-50" provision of the 1985 Farm Bill will destroy the current market-orientation of the dry pea and lentil industry.

To date, sales of dry peas and lentils on the free market is a profitable alternative to Northwest growers. With over production and lower prices bound to result from this government intervention, dry peas and lentils will rapidly become part of the problem instead of being a profitable solution.

We are a successful agriculture industry in part because dry peas and lentils are not a program crop. We resent this type of sudden enforced intervention and we vehemently oppose the "92-50" provision.

Respectfully,
Idaho Association of Dry Pea and Lentil Producers.
Washington Association of Dry Pea and Lentil Producers.

Mr. BEDELL. Mr. Friend.

STATEMENT OF DAIN FRIEND, PRESIDENT, NATIONAL CORN GROWERS ASSOCIATION

Mr. FRIEND. Thank you.

Mr. Chairman and subcommittee members, I am Dain Friend, president of the National Corn Growers Association and a corn farmer from Warrensburg, IL. The members of our organization appreciate having the opportunity of testifying today before you and your subcommittee on H.R. 4105, a bill to define and freeze the farm-by-farm program yield averages which are used in calculating income support payments.

As many of you may know, NCGA represents corn farmers in 17 affiliated member States: Colorado, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Maryland, Michigan, Minnesota, Missouri, Nebraska, North Carolina, Ohio, Pennsylvania, Virginia, and Wisconsin.

In addition, there are individual corn grower members in all 48 of the continental United States.

The purpose of the NCGA is to enhance and expand the use, marketing, and efficient production of corn.

Mr. Chairman, the National Corn Growers Association would like to take this opportunity to commend you and your colleagues for holding this public hearing to evaluate and clearly define the intent of Congress with regard to the calculation of Farm Program yield averages.

As you are well aware, the formula used to calculate a payment yield is of significant economic importance to each of the Nation's 1.3 million corn farmers. The U.S. Department of Agriculture's interpretation of yield formula provisions in the Food Security Act of 1985 will reduce, without exception, every producer's pay yield and subsequent net farm income.

Absent a legislative remedy, it is the belief of the National Corn Growers Association that the intent of Congress will be circumvented should the current Administration interpretation of program yields, which averages past program pay yields which, in themselves are averages, be allowed to stand.

Since the President signed the Food Security Act of 1985, the administration's application of the USDA's budget has belied, if not emasculated, the effectiveness and benefits of a number of important programs that will have a tremendous impact on a farmer's subsequent net farm income.

Regardless of the issue, whether we focus on program bases, export credit programs, Public Law 480 application, Farmers Home Administration funding levels or the purpose of today's important hearing—program yield interpretation—the U.S. Congress must keep the administration's feet to the fire if any of the programs of the historic 1985 farm bill are expected to meet your, as well as NCGA's, desired goals and expectations.

The 1985 farm bill was written in concert with the executive branch. It is imperative that they are required to live up to their commitments and obligations. Without the administration's understanding and cooperation on the implementation of the Food Security Act, it is destined to fail.

To this end, the NCGA strongly supports the program yield provisions as defined in H.R. 4105. We would urge your favorable consideration and passage of this legislation.

We appreciate this opportunity to appear before you today, and will attempt to answer any questions you may have about our testimony.

I might also comment in addition to the printed testimony here, that we think that this is probably one of the most serious things as far as the attitude in the countryside today. Farmers are very upset about this. We are in an economic crisis—corn farmers—and it is becoming more apparent around the countryside as I visit with farmers around the country. The last couple of months I have traveled around talking to various farmers and farm groups. We think it is very important that these kind of things, which are in some ways a slap in the face of an already economic depressed corn agriculture, be taken care of very quickly, because they are going to have very severe economic consequences on us as corn farmers. But they probably will have very severe political consequences as well because of the sentiment—everybody is upset with what is going on and they feel we need to change something.

Thank you.

[The prepared statement of Mr. Friend appears at the conclusion of the hearing.]

Mr. BEDELL. Thank you, Mr. Friend.

Mr. Marlenee.

Mr. MARLENEE. Don, and Bud, and Mr. Friend, I commend you on your testimony. I certainly concur with the statements that the three of you have entered in the record and given before us.

I want to assure you that we will do all that we can here in this committee to rectify the situation. I think that it could well be the straw that breaks the camel's back. We know how close we are to

making the farm program or not work. In my opinion, if we don't change it, we may as well scuttle the whole darn program.

Again, I welcome you to the committee and thank you for your testimony here.

Thank you, Mr. Chairman.

Mr. BEDELL. Thank you.

Mr. Friend, there is no significance to the fact that there is a chair between you and the wheat growers, is there?

Mr. FRIEND. No, no, I don't think so.

Mr. BEDELL. Coming from a corn-growing area, I can tell you, there is significance to the fact that there are three wheat growers and one corn grower among the witnesses.

Mr. ROBERTS. Would the chairman yield?

Mr. BEDELL. I would be glad to yield.

Mr. ROBERTS. We have been trying to really breach that gap for some time, Mr. Chairman. I don't know whether it is up to Don or Bud to move left, or for the corn growers to move right. I guess in my particular instance it would be to move to the right. But I think you ought to move in there a little bit. Maybe we can put the administration in the middle.

Mr. BEDELL. No; I think the administration is on the other end of all of them.

Mr. Stangeland.

Mr. STANGELAND. I just want to thank both the wheat growers and the corn growers for coming in and testifying. I think it is apparent that from previous administration testimony and the questions that were asked them that we recognize that there is an error that has been made. And that error ought to be corrected before it is allowed to really have an impact, because it is going to have an impact, that is apparent.

Don, I have got just a couple of questions. You have given us a list of what the 1985 yield would be in the 1986 under this formula. I can see from 7 to 12 bushels on the average of reduction in payment yields for 1986 over 1985. But I am wondering why there would be such a large disparity in one from 52 bushel in 1985 clear down to 29 in 1986. And another one of 51 in 1985 clear down to 32 in 1986. That is a 23- and a 19-bushel disparity. Why would it be that much?

Mr. LOESLIE. I asked that question also. I am told that this party, whoever it was, did not prove their yields and had lived in the county—as the factoring had went through year after year under the old formula that we were using had been factored down to this 29-bushel level. His particular farm did not reflect that but he did not go in and prove it or change it until late, so it would become effective in 1985. So he then took his records and proved back, which he had, for the committee, and they were accepted.

But you see, when you come back and work this formula, it is not what is on the card. It is what the person was paid on in that particular year, and that is why it lowered him below the county average.

Mr. STANGELAND. So there was somewhat of a mid-term correction made for 1985 that is now thrown out for the 1986 tabulation?

Mr. LOESLIE. That is right.

Mr. STANGELAND. OK.

In discussions that we had about 10 days ago, it is apparent by using some PIK payments to make up the difference between what this formula would require, the rollback, and paying on 1985 yields, if we made some of that difference at least in PIK, we would not have the budget exposure that they are projecting. They are projecting, I think, roughly $300 million a year, if we freeze 1985 levels.

Do you have any information on that and the impact on it, budgetary-wise? And what the wheat growers accept in deference to just a cash payment to make this difference up, a PIK payment instead, for budgetary purposes, which would mean that you ought to end up with the same gross dollars that you would get if we froze in money the 1985 level as opposed to using the new formula.

Mr. LOESLIE. If I could make a comment and then I would like to defer to my president to give the position. I think wheat growers out in the countryside have a very big concern about this $2 billion BICEP program if the administration will actually put it into effect so it is work. That was put in there for a purpose of making exports go. If that is not going to be an item that is going to be used, therefore, that money should be applied some way back to the farm direction. If whatever avenue that the Congress saw fit that it had to be, we would probably have a first and second choice. But we are not going to stand in the way of any improvement.

Mr. STANGELAND. This is what we initially thought in this conference that we had, and the Department was there—the Acting Secretary, and a couple of other of the top commodity people. They told us that it didn't help to cut out BICEP because that is basically payment-in-kind and it was not a budget exposure. That is when we got the idea of using PIK money then to make up this loss that growers will suffer because of the new formula.

If it is not budget exposure in the BICEP, then it is not budget exposure in the program payment yield portion. That is where we hope to come from it, and that way we don't have to eliminate BICEP either. We ought to keep it there. I don't think it is working. It hasn't worked substantially since it was put in effect 6 or 8 months ago. But, nevertheless, I think farmers need some kind of a tool, and we need some kind of a tool to help expand exports in this time of a strong dollar.

Mr. LOESLIE. We agree. We don't want to lose it either. We are just afraid that based on the past history, to find ways of not using it. That is our concern. So for the balance of the answer, maybe I will defer to Bud.

Mr. LEUTHOLD. I guess we would prefer to have a freeze at no less than the 1985 level. If your question is whether would we take PIK, if that is our choice, I suppose we would take PIK.

Mr. STANGELAND. That is what we would attempt to do is end up in effect with a freeze, but replace some of the dollar payment with PIK payment if that satisfies the budget. You would get, supposedly and theoretically, and hopefully, the same dollar gross, but some would be in bushels and some would be in cash.

Mr. LEUTHOLD. OK.

Mr. STANGELAND. Thank you very much.

Would that apply equally to the corn growers, you anticipate, Mr. Friend?

Mr. FRIEND. Obviously, we would prefer the dollars up front. We have to recognize that we probably also have stated in the past that we would accept the PIK as an alternative, however, we have to recognize every time we implement that, then the crops that we are physically growing in a current year will have a slight depressed price because of that. So it isn't all just a straight trade-off, and we have to recognize this. Our priority would be to maintain this as in this bill.

Mr. STANGELAND. I think we all understand that when we give you more bushels, the only way you can benefit from those bushels is to sell them, and that puts more commodity on the market to further somewhat depress the price, there is no question about that. But we are trying to rationalize and agonize out of this budgetary implication and still try to find you the same dollars, at least no less dollars, than you got last year.

Mr. FRIEND. Right.

Mr. VOLKMER [acting chairman]. The Chair recognizes the gentleman from Kansas for 5 minutes.

Mr. ROBERTS. I thank my friend and colleague from Missouri. I want to thank the witnesses for excellent statements. Don, that is a very good summary of what I tried to give in regards to Kansas and what you have provided in your home State of Minnesota on the estimation of the loss and yield to the average Minnesota wheat grower somewhere between $20 an acre and $40 an acre—we have very similar figures in the State of Kansas. So I want to thank you all for very fine statements.

I want to explore this subject a little bit that my friend Mr. Stangeland has brought up. The chairman of the DORFA Subcommittee, Department of Operations, Research, and Foreign Agriculture, Mr. Bedell and myself—I am the ranking member—have had lengthy hearings on export PIK. I will use that as the term.

During consideration of the farm bill, many of us felt that it was necessary to mandate that the USDA utilize this tool as best we can to match the unfair trading practices of our competitors. The figure we hear bandied about a lot is $2 billion.

Then you come to the testimony of the Department and it becomes very clear that if you include the U.S.S.R., the Soviet Union, in this category, there are clearly some national security problems, foreign policy problems, et cetera, et cetera—and the answer is "No." That, in fact, they will not extend that kind of a program to the Soviet Union. I don't think that is any secret. In addition, I don't think it is any secret that we do not have the votes in the Congress to pass something like that. That if you consider a majority on either the Senate or the House, that we would raise up a big fuss. So I am saying that I am not too sure that that is any real answer given the political problems we have and the foreign policy problems we have.

Now, if we are earmarking $2 billion—let me follow up on the suggestion by my colleage and friend from Kansas, Mr. Glickman—why then can't we use a portion of those moneys, it seems to me, to protect the income protection of the farmer? Do you have any comments in that regard?

Mr. LOESLIE. To me?

Mr. ROBERTS. Yes.

Mr. LOESLIE. I think that is well stated. Farmers do not want to give up that $2 billion for what they could see the benefits of moving product. However, if we do not have a choice that we are going to be able to use it, then we really don't have a tradeoff, then we had better have something in to replace it. In that case, farm income is desperately needed. I would concur that we would need to put it there.

Mr. ROBERTS. I want to add that I am not giving up on the $2 billion and the mandated program to be much more aggressive in the export field. As I have indicated, the chairman and myself have held lengthy hearings on this. Maybe this needs to be aired. Maybe it should be brought to a vote. Although having learned our lesson on cargo preference, maybe it shouldn't be brought to a vote. I don't know. I don't want to simply lose it and have it set in concrete.

Let me ask you as a followup to Mr. Stangeland's question on the PIK payments. It is my understanding that something along those lines will be adopted in the Senate sometime this week, or at least I am hopeful of something like that. If you could limit the yield loss to 10 percent and then make up a portion of that, say 5 percent in a PIK payment, I want to ask you if that is satisfactory? It isn't to me. I want to hold it to last year's level.

But if that is forthcoming, can we live with something like that if we held it to last year's level with a PIK payment?

Mr. LOESLIE. It is still an income reducing level. I think that we would be opposed to that.

Mr. ROBERTS. One last comment.

I am not in any position of toting the administration's bucket and some of the cost savings that we continually hear about. And I don't know what makes me more irritated—the administration in terms of dragging its heels and poisoning the well on virtually every change in the farm bill due to cost savings, or those who always want to hold out for all or nothing on an issue and not a bill.

But having said that, I do want to reiterate my feeling, very strong feeling, that the administration, to a large degree, is simply following the letter of the law as determined by a majority of the Congress when we passed Gramm-Rudman. So the 4- to 5-percent cut that we must go through in the USDA, whether you agree with their budget priorities or not, was forced by this Congress, a majority on this committee and in the Congress.

Now, I don't want to point any fingers. I might get to that a little bit later, but certainly I wouldn't want to do that when people are absent. But I do note a connotation here that we always want to point the finger of blame at the administration, and Lord knows, I have been critical and hopeful of some suggestions for improvement. But if we go down the road again with Gramm-Rudman, with another 25-percent cut as opposed to a freeze and putting all of these programs back in the mix, I shudder to think what is going to happen in regard to the income-support portion of this farm bill. But it is not all lying at the doorstep of the administration.

I made the remark, I would say to my colleagues when we left this august body last year at this particular time, we wanted to

balance the budget in the worst possible way, and that is precisely what we have done.

I thank my colleague.

Mr. VOLKMER. Mr. Bedell.

Mr. BEDELL. Thank you, Mr. Chairman.

I think we should clearly get out in the open the situation in regard to the $2 billion BICEP program. That is not a discretionary program with the administration. The 1985 farm bill mandates that the administration spend the $2 billion in a BICEP program. The mandate for the first year is not that clear, but what they are supposed to do is use every effort possible in order to see that they use a third of it the first year as well. But they cannot decide whether they want to spend the $2 billion or not. If they follow the law, they would have to spend it. So we may want to do something about it, and it may not be quite so necessary if we lower loan rates sufficiently, and if the market prices come down enough to where we are already competitive in world markets and it may not be needed quite so badly.

Mr. Leuthold, I just wanted to make one slight correction so you are sure you understand. Your testimony said that Gramm-Rudman will take 4.3 percent off 1986 target prices, which Congress intend to freeze. I hope you understand that isn't really what happens. Gramm-Rudman takes 4 percent off the deficiency payment, not the target price, which is quite a big difference, and I think maybe you would want to correct that.

Mr. LEUTHOLD. My error, Congressman. I understand. Thank you.

Mr. BEDELL. Mr. Leuthold, do you grow sunflowers extensively in eastern Montana or not?

Mr. LEUTHOLD. No, sir; we are wheat and barley people.

Mr. BEDELL. So there isn't any big amount of that grown?

I guess the concern that I have—and I don't know if I am right about it or not—but the concern I would have would be if indeed people do go into the 50/92 program and grow crops that directly compete with other major crops, it seems to me that we are causing some serious problems. I took it that you felt that would not happen to any great extent.

All I know is, I go through North Dakota and I just see sunflowers everywhere. What we are really saying to those farmers up there is that if they want to cut their wheat acreage in half and grow sunflowers on the other half, they still get their payment from the Government. I should think we would see an awful increase, therefore, in sunflowers, which compete quite directly with soybeans, for example.

Is there something wrong about my thinking there?

Mr. LEUTHOLD. No; I don't think so. I guess our reasoning was in the vast wheat areas they don't have many choices economically to go to a nonprogram crop. There are pockets that will be directly affected, and I certainly would agree with you on that.

Mr. BEDELL. OK. We certainly appreciate your testimony very much.

I yield back the balance of my time, Mr. Chairman.

Mr. VOLKMER. Mr. Stangeland.

Mr. STANGELAND. Just one more question, if I may.

Do you foresee many wheat growers possibly retiring half of their program base in wheat, or corn growers as well, to accept the deficiency payment on that portion of unplanted acres as a paid diversion and just economically determining that rather than work the ground, buy the seed, the fertilizer, the herbicides it will take to keep it clean, and then the harvest cost—that they might economically do better just planting half of their program acres and idling the other half, a half or more, but idling a percent. And what it means in wheat—I think we figured it out for a 1,000-acre wheat base it effectively gives you a target price for the wheat produced of $5.19 a bushel. Or you can figure it out a paid diversion of 138 times 40 would be a $52 paid diversion on the land they don't plant, per acre.

Mr. LEUTHOLD. In answer to you, I don't know that we are going to see a big shift. Seventy-five percent of the wheat crop was already planted. There may be some haying done on the acres. We have not heard of a big shift to what you are referring to.

Mr. STANGELAND. I think I am hearing that there is a potential for some shifting, and I think we can all appreciate that if a fair amount of acreage is planted to dry edible beans it is going to impact on the dry edible bean market.

When I authored this initially I saw it as a way to get a paid diversion without calling it a paid diversion. Then it was expanded to allow nonprogram crops to be planted. Now it looks like, based on the potatoes and the dry beans, at least, and perhaps the sunflowers, it is probably not a good thing to do at this time.

I would like to correct the record to a certain extent, that sugar beets have been brought in. I don't think sugar beets even enter in because no one can grow sugar beets without a contract. And I don't think in this climate any processor is going to contract for additional beet acres to increase the volume of sugar that we produce. So I don't think sugar beets have to be concerned.

But I do think there is concern, and legitimate, from dry bean growers, from potato growers, from some of these other commodities.

Mr. LEUTHOLD. I think you are correct. I think in some areas you will see that they will just follow also.

Mr. STANGELAND. That is what we initially sought as a potential for a farmer determining not to put the cost into that commodity on that land and just idle it because he can come out probably with $50, $55 an acre just not to farm it.

Mr. LEUTHOLD. Right.

Mr. STANGELAND. Thank you very much.

Mr. VOLKMER. I have no questions. I want to thank the panel for being here and helping us with these issues. I appreciate your testimony.

With that we will proceed to the next panel: Mr. John C. Datt, executive director, American Farm Bureau; Mr. Doug Michael, immediate past president, National Potato Council, and Mr. John Connolly, Washington representative, Western Growers Association.

I would like those three gentlemen to come to the table. Your statements will be made a part of the record. You may either sum-

marize your statement or read it in full as long as it doesn't consume over 10 minutes.

We will begin with Mr. Datt.

STATEMENTS OF JOHN C. DATT, EXECUTIVE DIRECTOR, WASHINGTON OFFICE, AMERICAN FARM BUREAU FEDERATION

Mr. DATT. Thank you very much, Mr. Chairman.

My name is John Datt. I am the executive director of the Washington Office for the American Farm Bureau Federation. The Federation appreciates the opportunity to appear before this subcommittee and to discuss the underplanted acreage provisions of the 1985 farm bill.

The Farm Bureau represents both program and nonprogram producers of agricultural commodities.

The bill contains provisions that would allow producers of farm program crops to plant less than the total amount of permitted program acreage. They could still receive 92 percent of the total deficiency payment while maintaining the base acreage for the program crop.

This provision stipulates that program participants must plant at least 50 percent of the crop acreage base to the program crop but provides that if the producer underplants by at least 8 percent of the permitted acreage, he will receive 92 percent of the total deficiency payment.

In short, program participants will be allowed to produce any nonprogram crop on as much as half of the farm program acreage base and receive program benefits.

Farm Bureau is concerned that this provision will create additional production of many nonprogram farm commodities and adversely impact their market prices. This includes vegetables for processing—and I might say we have already heard from the producers of peas and corn for canning in Iowa and in Minnesota where there is some real concern about what this will do—dry beans, oilseeds, hay and other similar crops have been discussed here this morning.

Producers receiving deficiency payments will unfairly compete with producers of those commodities who have not been receiving Federal Government farm program support.

Farm Bureau believes that producers should be allowed to underplant provided that the underplanted acreage is not commercially harvested or grazed. Allowing underplanting with this restriction will eliminate the incentive to produce additional commodities only for the purpose of maintaining crop acreage base and maximizing deficiency payments. Requiring conservation uses, however, would avoid the detrimental impact of increased reduction on nonprogram crops.

Farm Bureau supported the passage of the Food Security Act of 1985. However, we believe there is a basic issue of fairness involved as it relates to the underplanted acreage provisions. If the law is left unchanged, we are concerned that the nonprogram farm commodities that would be adversely affected would demand drastic changes in the farm program provisions.

The producers of nonprogram farm commodities have not sought Federal support and, therefore, in the interest of fairness, should not be adversely affected by other farm programs.

We urge this committee to report a bill that would require underplanted acreage be planted to soil conserving uses. We urge that this be done as quickly as possible so this provision could be in effect for the current farm program year.

Farm Bureau supports H.R. 4166, as introduced yesterday by Congressman Coelho, and we urge the subcommittee to adopt that legislation as a way to deal with the underplanted acreage provision issue.

Thank you very much for allowing us to present our point of view.

[The prepared statement of Mr. Datt appears at the conclusion of the hearing.]

Mr. VOLKMER. Thank you, Mr. Datt.

Mr. Michael.

STATEMENT OF DOUG MICHAEL, IMMEDIATE PAST PRESIDENT, NATIONAL POTATO COUNCIL

Mr. MICHAEL. Thank you, Mr. Chairman.

I am Doug Michael, a potato producer from Urbana, OH, and immediate past president of the National Potato Council. I am here today on behalf of the National Potato Council seeking legislative corrections to the so-called underplanting provision of the 1985 farm bill.

This provision permits producers of farm program crops to produce nonprogram commodities, such as potatoes, on up to 50 percent of their permitted acres and still receive 92 percent of their Federal subsidy payments.

The National Potato Council supports legislation designed to preclude the planting of nonprogram commodities, such as potatoes, under this provision where the planting of such commodities will have an adverse impact on the income of the producers.

The National Potato Council, the only national trade association representing the Nation's 13,000 potato growers, has had a longstanding policy of opposition to any and all domestic Government subsidy and diversion programs for potatoes.

The council has worked vigorously against any effort to include potatoes in Government farm programs. The council firmly believes the Government subsidy programs do not aid in the successful supply and demand marketing of potatoes.

We believe the underplanting provision contained in the 1985 farm bill is grossly unfair. While producers of potatoes do not ask for Government subsidies, we feel that the underplanting provision represents a serious flaw in the new farm program in that it provides a subsidy to farm program participants to produce potatoes.

Since the domestic potato industry is not supported by Federal loans or deficiency payments, the potato grower must derive his income from the marketplace. The potato industry is subject to the variances in world supply and demand. Potato producers have learned to accept, and deal, with this situation. Several years ago the returns to potato growers were reasonable.

But last year, due to increased domestic supply and a series of unfair trade problems with Canada, the domestic market fell to perhaps its lowest level since the Great Depression.

I might add, we also had a great growing year across the United States.

To illustrate the magnitude of increased domestic production of this year, the production for 1981 through 1984 was approximately 333 million to 361 million hundredweight, as compared to 1985, which saw dramatically increased production of 409 million hundredweight, an all-time high. This represents an increase of approximately 15 percent over the average yearly production of the previous 4 years.

This situation caused net returns to potato growers to fall to all-time lows in some cases. We expect that this situation will begin to correct itself this year as the market signals for less production.

Unfortunately, the new farm bill has been written in such a manner as to encourage traditional producers of wheat and corn, for example, to shift a sizable portion of their acreage to cash crops such as potatoes.

The market is not calling for the production of additional potatoes. If a decision is made by program crop producers to switch to potatoes, it is because these decisions have been influenced by the fact that participants in the farm program will continue to receive Federal subsidy payments while planting potatoes instead of feed grains, wheat, rice or cotton.

Mr. Chairman, the National Potato Council does not seek Federal subsidy payments. However, we must emphatically request that the government take steps to nullify the negative effects of the 1985 farm bill by ensuring that producers of farm program crops cannot utilize this underplanting provision if it is determined that their decision to produce potatoes will adversely impact the income of potato growers.

Potato producers can and will deal with the supply and demand problems of the marketplace, but we are not equipped to deal with problems that are caused by Government subsidies and intervention.

Mr. Chairman, the National Potato Council urgently requests your committee to pass an amendment to correct this inequitable situation as quickly as possible.

We thank you for holding hearings on this matter, which is vitally important to the Nations potato growers.

I would like to add just a couple of things.

If you know you can go out and contract potatoes, and if you go out and contract them now, and somebody that has the diversion program can go out and contract at a lower price—also, all other vegetables. I have a large vegetable farm. We will go out and negotiate prices and we will be competing with vegetables.

Did you also know that we as potato growers mostly grow grains too. We can get our whole crop subsidized by this program, which is not what you intended it to do, I am sure. I still believe in supply management.

[The prepared statement of Mr. Michael appears at the conclusion of the hearing.]

Mr. VOLKMER. Thank you, Mr. Michael.

Mr. Connolly.

STATEMENT OF JOHN J. CONNOLLY, WASHINGTON REPRESENTATIVE, WESTERN GROWERS ASSOCIATION

Mr. CONNOLLY. Good afternoon, Mr. Chairman. I am John Connolly of the Washington firm of Bill Hecht & Associates, Washington representative for Western Growers Association.

I am here today to represent the grave concerns of the western fresh vegetable and fruit industry with the acreage reduction provisions of the 1985 farm bill.

I am testifying on behalf of Western Growers, and organization that represents more than 1,200 growers, packers and shippers of fresh fruit and vegetable commodities in California and Arizona.

The acreage reduction programs contained in the farm bill require that the U.S. Department of Agriculture provide wheat, feed grain, upland cotton, and rice producers the option of planting only 50 percent of their permitted acreage, provided this underplanted acreage is devoted to conservation or nonprogram crops.

It is the ability of producers participating in this program to plant so-called nonprogram crops, while at the same time receiving payments for not planting their program crop, that has the Western vegetable and fruit industry so concerned.

Growers in the West believe provisions will encourage the beneficiaries of the program to plant crops which will directly compete in their own marketplace. Not only will this increase overall crop acreage, and, therefore, depress prices, it will put nonbeneficiaries of the program at a competitive disadvantage in the marketplace.

Crops that will be affected most dramatically by this program are those which can easily be planted on acreage currently devoted to program crops. These would include cantaloupes, honeydew melons, lettuce, potatoes, tomatoes, onions, broccoli, cauliflower, and other vegetables. Total acreage for these types of crops in California and Arizona is well over 1 million acres. The total value of these crops is roughly $3 billion.

For the past several years, f.o.b. prices for many of these crops has been at, or very near, the cost of production. Using lettuce as an example, from January 1984 to June 1985, the f.o.b. price on a daily basis averaged less than the cost of production.

During this 18-month slump, and the 7 months since, approximately 20 percent of the grower-shippers in the Salinas Valley have ceased production, and it is estimated another 10 percent will do the same by the end of 1986.

Overproduction is the primary cause of the situation. The example of the lettuce industry is not unique. Growers of melons, tomatoes, and other vegetable crops have had similar experiences.

Growers in California and Arizona fully appreciate the problems of overproduction, and understand why Congress wanted to address the problem. The industry cannot appreciate, nor tolerate, however, a program that is designed to reduce acreage in some commodities, while substantially increasing acreage in others not covered by a farm program.

Growers and shippers of western fruits and vegetables are asking that you act now to prevent the implementation of a program that

will result in gross overproduction of their nonprogram crops, and even subsidization of their competition.

They urge your support of legislation similar to H.R. 4166, introduced yesterday by Mr. Coelho and a bipartisan selection of the California delegation, that will help their situation. Many very well may not survive if you don't act soon to close this loophole.

Thank you for your attention. Western Growers will be pleased to try to answer your questions and to work with you to resolve this threatening problem.

Thank you, Chairman Volkmer.

[The prepared statement of Mr. Connolly appears at the conclusion of the hearing.]

Mr. VOLKMER. Thank you very much, Mr. Connolly.

Very briefly, Mr. Datt and Mr. Connolly, I wish to thank you for your support of the legislation introduced by Mr. Coelho.

Mr. Michael, if I fully understand your statement, you would also be in support of that legislation, would you not?

Mr. MICHAEL. Sure would.

Mr. VOLKMER. All right. With that, I will yield to the gentleman from Minnesota for 5 minutes.

Mr. STANGELAND. I don't have any questions, Mr. Chairman, just to thank the panel for their testimony . I think we are hearing the message loud and clear. I think you can sense our concern at this point in time, and certainly I, as the initial author of this provision, can now see that when you try to help somebody, you tend sometimes to hurt someone else. It is just unfortunate that this provision was put into the bill in the House Committee here on the 25th of July—that it took until we finally signed the conference report to have the hue and the cry come forward.

Thank you very much.

Mr. VOLKMER. I recognize the gentleman from Michigan, Mr. Schuette.

Mr. SCHUETTE. Thank you, Mr. Chairman.

I just want to briefly thank all three of you gentlemen for coming here this afternoon, and you have been here throughout the morning.

I think you know my thoughts and views on this issue in terms of how it impacts Michigan agriculture. I thank you for your fine testimony this afternoon. Thank you, gentlemen.

I yield back the balance of my time, Mr. Chairman.

Mr. VOLKMER. Thank you.

With that, I want to thank the panel for their testimony and their support for the legislation. That will conclude this panel.

We will next go to the next panel: Mr. Chips Barlow, Hazleton, ID, secretary-treasurer, National Dry Bean Council; Mr. Harold Wilson of Gooding, ID, director on National Dry Bean Council, representing also Western Bean Dealers Association of Idaho; Mr. Fred Erhman of Gering, NE, immediate past president of Nebraska Bean Growers, and Mr. Gary L. Kelley, Kelley Bean Co., Morrill, NE.

Gentlemen, as the previous panels, your statements also will be made a part of the record. You may either summarize your statement or read it in full, however you so desire. We will begin with Mr. Barlow.

STATEMENT OF CHIPS BARLOW, SECRETARY-TREASURER, NATIONAL DRY BEAN COUNCIL INC.

Mr. BARLOW. Thank you, Mr. Chairman, and good afternoon to the members of this distinguished committee.

My name is Chips Barlow, secretary-treasurer, National Dry Bean Council.

Thank you for the opportunity of appearing before you to present the position of the National Dry Bean Council on the question of planting dry beans on so-called permitted acres.

Attached is a list of the delegate and alternate members of the council representing dry bean growers, shippers, processors in California, Michigan, Colorado, Idaho, Kansas, Minnesota, North Dakota, Montana, Nebraska, New York, and Wyoming.

The probability of greatly increased planting of dry beans on permitted acres as a consequence of the Food Security Act of 1985 was analyzed by the NDBC during its annual meeting January 30.

Members of the NDBC stated because of the high demand for dry bean seed from areas which customarily do not raise dry beans, there was great concern that an unprecedented acreage of dry beans would be planted.

After further examination, the Council unanimously passed a resolution stating:

> The NDBC requests the USDA to remove dry beans as an eligible crop for planting on permitted acres and that if necessary, NDBC is to take legislative action to accomplish this objective.

Subsequently, the Council issued a news release dated February 7, 1986, which is attached quoting James L. Stein, president of the NDBC:

> U.S. dry bean acreage normally ranges from 1.5 to 2 million acres, and that a carryover of up to 1 million hundredweight surplus stock invariably occurs when acreage exceeds this. The surplus results in across-the-board reduction in value of all dry beans. With domestic consumption of dry beans trending softer and third world markets short of purchasing power, prospects for moving large additional acreage to market are not bright."

A copy of this release is attached to this testimony.

The dry bean industry is not a price supported crop. The Government does not own any stocks of dry beans and the NDBC is not receiving financial support from the U.S. Government in any form except the sharing of international market development funds from the Foreign Agricultural Service and periodic purchases of dry beans for the School Lunch Program and other feeding programs.

Dry bean purchases receive no preferred treatment except recognition that dry beans are an excellent source of low cost protein and possess a high fiber content which is looked upon favorably by many nutritionists.

In short, beans are not currently part of so-called Government programs and the NDBC states emphatically, we do not wish to become involved in Government farm programs.

However, our bottom line is we feel we can be swamped—"drowned in the prop wash"—of excess of dry bean planting as a "throwaway crop" on permitted acres. Even a minuscule planting

of dry beans on the permitted acres of any of the program crops could be devastating to dry bean growers coast to coast.

We support the legislation introduced by Congressman Traxler, H.R. 4078, which excludes beans as a crop to be planted on permitted acreage. We also support, although we have some reservation, H.R. 4079, which would delegate discretionary authority to the USDA.

The reason for reservation is we are not sure the USDA would exclude dry beans as an eligible crop. Furthermore, the time to make such decision may render the action worthless for this 1986 growing season.

If this distinguished committee should develop legislation which would prohibit the planting of any crop on permitted acreage except conservation crops, the NDBC would support such legislation.

Attached is statistical data from the USDA on dry bean acreage and yield. I would also like to say that the NDBC would strongly support the newly introduced bill, H.R. 4166.

Should you have any questions, I would be pleased to answer them at any time.

[The prepared statement of Mr. Barlow appears at the conclusion of the hearing.]

Mr. VOLKMER. Thank you, Mr. Barlow.

Mr. Wilson.

STATEMENT OF HAROLD WILSON, SALES MANAGER, BEAKON BEAN CO., REPRESENTING WESTERN BEAN DEALERS ASSOCIATION, INC. OF IDAHO

Mr. WILSON. Thank you, Mr. Chairman.

I am Harold Wilson, representing the Western Bean Dealers Association of Idaho and am currently the sales manager for Beakon Bean Co. of Gooding, ID.

We, of the Western Bean Dealers Association of Idaho, do not believe that Congress intended to destroy the dry edible bean industry of the United States. However, this new farm bill might accomplish this very easily.

The effects of the new farm bill are being felt in our markets today. The average price of beans has dropped $3 per hundredweight just from the news of the farm bill. This has happened in a short period of 2 weeks, and we feel that this downward trend in prices certainly will continue if this farm bill and the provisions within it are left in its present form.

The provision in the farm bill allowing farmers to plant nonprogram crops on permitted acres must be changed if at all possible. So far, the prices have dropped drastically in the anticipation of overproduction of the upcoming year crop. Dry edible beans are not a Government-supported crop, and the price is controlled solely by supply and demand. Any increase in production without corresponding increases in sales will cause a reduction in the price received for the crop.

In Idaho, the pricing trend now is headed for destruction for the farmers. The cost of production of dry edible beans will soon be well above the actual market value. There is no support program

for the traditional bean growers who have managed to survive in this current farm crisis.

The areas in the United States that traditionally never produce beans are now requesting bean seed from Idaho warehouses and from Idaho farmers who basically have not participated in the Government programs in the past. The same Idaho farmers who will now be subjected to becoming the victims of the new farm bill.

Idaho is unique, also, in the fact that we also produce bean seed for the other traditional dry bean growing areas. Since the farm bill went into effect, we have had requests from nontraditional bean-growing areas for bean seed.

As the supplies of bean seed will soon deplete, we can probably assess the fact that the new bean growing areas will plant whatever they can get their hands on. Plantings of bin run beans as seed will destroy the seed market as well as the edible bean market.

The devastating effects of this is 15 to 20 years of research on seed for disease problems, quality problems, and yield results totally destroyed by the farm bill. This bill will still encourage growers throughout the United States to not consider these factors in the market we now have for them. It will only encourage the farmers to be concerned about the quantity of yield and the quantity of their Government checks.

The dry bean industry has survived its own economic disasters in the past 5 years. We have lost growers, and we have lost many bean dealers and warehouses in this farm crisis due to the world market situation; however, we managed to get our supplies in line with demand.

We do not feel the Government should encourage or allow the farmers of this Nation to destroy another commodity in order to help another commodity get out of their overproduction problems.

Therefore, representing the Western Bean Dealers Association, we strongly suggest that nonprogram crops, and especially beans, not be allowed in the permitted acres. We also would like to suggest that if this fails, that the use of the current farm bill funds be set aside to help promote new bean markets for export. And we would also ask Congress to open all trading markets and remove trade barriers for export trade to certain countries which will consume dry edible beans.

[The prepared statement of Mr. Wilson appears at the conclusion of the hearing.]

Mr. VOLKMER. Thank you. Mr. Ehrman.

STATEMENT OF FRED EHRMAN, PAST PRESIDENT, NEBRASKA DRY BEAN GROWERS ASSOCIATION

Mr. EHRMAN. Thank you, Mr. Chairman.

My name is Fred Ehrman. I live in Gering, NE. I am the past president of the Nebraska Dry Bean Growers Association.

I want to thank you for this opportunity, sir, of presenting you our position on the question of planting dry edible beans on so-called free or permitted acres.

Nebraska has ranked second and third for some years in the production of dry beans. Dry beans amount to over a $50 million crop

to our growers. Since dry beans are a specialty crop, even a small fluctuation in production produces a wide fluctuation in price, and return to the grower.

We are greatly concerned about the new Food Security Act of 1985 and will be concerned it will be the same song and the second verse of the 1983 PIK Program.

As a result of the PIK Program, the dry bean growers of Nebraska saw some acres planted to dry beans and explode these acres into growers of nontraditional dry bean growing farms.

One of the reasons for the expanded acres was growers of corn and wheat went into the program, diverted wheat and corn acreage to dry beans and collected Government payments on ground planted to dry beans.

The resulting glut of dry beans moved the market from a breakeven yearly average grower price of $20 in 1982 to $14 in 1983.

For great northerns, this was an estimated loss of $121 an acre.

For pintos, the price in 1981 in our area was $29, and it dropped to $11.79 in 1983. This resulted in an estimated loss of $346 an acre to our growers. However, at least half of this price reduction of dry beans in this period was a result of Mexico moving out of the pinto market.

The February 16, 1986, edition of the Scottsbluff, NE, Star Herald carried advertising of some 30 farm sales and liquidations centered in the dry bean growing area of western Nebraska. I estimate another 30 farmers in this area have already liquidated in the prior 60 days.

The "wreck" in the bean market, a result in part of beans planted on excess acres in the 1983 PIK Program had a significant impact on these liquidations of some of the world's top food producers.

The Nebraska Dry Bean Growers Association sees the Food Security Act of 1985 as the same song, the second verse, of the 1983 PIK Program.

We urge that you support H.R. 4078, by the Honorable Robert Traxler of Michigan. We feel that this bill will prevent the planting of dry edible beans on permitted acres and disallow another disastrous increase in the dried bean production.

We feel the dry bean growers should not have to pay the bill to persuade wheat and feed grain producers to participate in the Food Security Act of 1985.

We do support legislation introduced by Congressman Traxler, H.R. 4078, which excludes beans as a crop to be planted on permitted acres.

If this distinguished committee should develop legislation which would prohibit the planting of any crop on permitted acres except conservation crops, the Nebraska Dry Bean Growers Association would support such legislation.

It has been an honor to appear before you and I thank you for your time and your consideration of this problem facing the dry bean producers of this Nation.

If I can answer any questions concerning the Nebraska Dry Bean Growers bill, I would be happy to do so.

[The prepared statement of Mr. Ehrman appears at the conclusion of the hearing.]

Mr. GLICKMAN [acting chairman]. Thank you very much.

I think, Mr. Kelley, you are the last witness in this panel. Go ahead and proceed.

STATEMENT OF GARY L. KELLEY, PRESIDENT, KELLEY BEAN CO.

Mr. KELLEY. Mr. Chairman and members of this distinguished subcommittee, my name is Gary Kelley. I am president of the Kelley Bean Co., Morrill, NE. We serve growers in a four-State area: Nebraska, Colorado, Wyoming, and Idaho. The views I am about to present are not necessarily just mine, but represent a survey that we did of the growers we serve in that four-State area.

I am also past president of the National Dry Bean Council and also past president of the Rocky Mountain Bean Dealers Association, serving these States of Colorado, Kansas, Nebraska, Wyoming, and Montana.

Thank you for the opportunity to appear before and present the position of a dealer/processor on the question of planting dry beans on permitted acres under the Food Security act of 1985.

Dry beans are not a price supported commodity, but following World War II and until 1974, they were. We fought long and hard to get them removed. As I recall, it took nearly 10 years. Price supports provided not only a floor to the market but also a ceiling.

Currently, the bean industry operates on the basis of the free market on a world market, I might add—depending entirely on supply and demand. This free market is very delicate and statistics prove that even a slight increase in production will cause a reduction of even greater proportions.

Early indications are that if beans are planted on the permitted acres they will be planted in nontraditional. This could easily double the acres. If this is allowed to happen the prices paid to growers could fall to one-half the cost of production.

This situation could easily cause dealer/processors to go off the market and not buy the beans from the growers. Certainly, if we can't sell the surplus, we wouldn't want to buy it.

I continually heard today where were we when the farm bill was being written. Our industry was not consulted by the USDA on planting of nonprogram crops in the writing of the farm bill. We possibly were remiss in not getting to the hearings on the farm bill. But we are a very, very small industry and we have businesses to run and farms to run. We feel that we should have been consulted.

In summary, I think it is counterproductive to the USDA to pay a grower to set aside acres from a price supported commodity and allow him to plant a nonsupported commodity. In our areas this gives the permitted acres up to 125 percent an acre head start over the traditional grower.

We support the legislation introduced by Congressman Traxler, H.R. 4078. We also support the newly introduced bill, H.R. 4166.

If this committee should develop legislation which would prohibit the planting of any crop on permitted acreage except conservation crops, I would support such legislation.

I ask that my statement be included in the record in its entirety. Thank you.

[The prepared statement of Mr. Kelley appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much.

I want to thank the entire panel for your statements. I have no questions myself. I would like to make one statement, though, that Mr. Kelley referred to, and others.

I personally, as one member, do not blame anybody for the language in this amendment. I don't think that members of this body ought to be blaming you. The fact of the matter is, is that we wrote it. So, as Harry Truman had that sign on his desk, "The buck stops here"—not there, here—and it is our obligation to try to change it.

I think that to the extent that you all feel some personal responsibility for this, I don't think that you ought to carry that on your back. I think that was a function of the legislative process.

Mr. Stangeland.

Mr. STANGELAND. Just a question for Mr. Wilson, and anyone on the panel might want to respond.

In your last paragraph, Mr. Wilson, you talked about should we not succeed in disallowing these on permitted acres, that some funds be set aside to promote new bean markets. I am just curious to know what percent of our dry bean production is exported, and what are the potentials for export in the future.

I think one of you referred to the fact that Mexico got out of the Pinto market after the PIK acres in 1983. I am just curious to know what percent is exported and what is the potential for increasing and expanding export sales of dry beans.

Mr. WILSON. Thirty to 40 percent, sir, is exported.

Mr. STANGELAND. I notice you refer to the fact that our exports are not increasing because of the lack of money in some of the underdeveloped countries. I am just wondering, do you have any indication of what the potential is in the future for dry beans in the export trade? Over and above that 30, 40 percent, is there any chance for any substantial increase?

Mr. BARLOW. Congressman, I would say part of the answer to that would be our ability to trade in all areas of bean-consuming countries. We are prohibited from trading in certain countries because of trade restrictions. Right now I think our export hundredweight, on the last statistics from the USDA, has fallen down. We think that there is still a strong potential for exporting to various countries and we think that we can increase somewhat export. But at the time, the figures show that the export is going down.

Mr. STANGELAND. Where is our primary competition in the production of dry edible beans?

Mr. BARLOW. Primarily, right now, our main competition is from the South American countries—Argentina, Chile, Brazil—when they don't have a drought.

Mr. KELLEY. Turkey also is, but they are having a drought right now, so they aren't.

Mr. BARLOW. They are also starting to run into strong competition from China itself in growing certain varieties of beans.

Mr. STANGELAND. I thank the panel for your testimony, and you are well aware by now that we are struggling with it. Thank you.

Mr. ERHMAN. Mr. Chairman, if I may, addressing your question about the exports from the State of Nebraska, some from the

United States. In the peak of the exportation to Mexico—we are talking about some 9 million bags—approximately 3 years later, we are talking about some 300,000 bags. It was practically just completely shut off.

Mr. GLICKMAN. Thank you.

Mr. Schuette, do you have any questions?

Mr. SCHUETTE. Mr. Chairman, thank you—no specific questions. I do want to commend the panelists for coming in and sharing with us very valuable information. I yield back the balance of my time, Mr. Chairman.

Mr. GLICKMAN. I thank the panel very much for your testimony.

The last panel today is Mr. James Byrum, executive secretary, Michigan Bean Commission; Mr. Eric Bailey, Bailey Farms, St. Louis, MI; Mr. Einer Thorlund, farmer, Greenville, MI.

Mr. SCHUETTE. Mr. Chairman.

Mr. GLICKMAN. Mr. Schuette.

Mr. SCHUETTE. Before they commence, and I thank the gentleman for yielding for a moment. Mr. Chairman and Mr. Stangeland, these gentlemen are strong and fine leaders in the Michigan bean industry. Mr. Bailey is the chairman of the Michigan Bean Commission. He happens to live in my district—makes the best bean soup I know. I am glad that he is here.

Mr. Byrum is the executive secretary of the Michigan Bean Commission. We have all worked very closely on this important issue.

Mr. Thorlund is a producer from Montcalm County, just outside of my district—and I wish he would relocate.

With that, I will turn it back to you, Mr. Chairman.

Mr. GLICKMAN. Mr. Fugleberg, I am sorry, I didn't mention your name. You were not on the list that I had in front of me.

Mr. SCHUETTE. My apologies, too.

Mr. GLICKMAN. Why don't we go ahead with the order that I have. Mr. Byrum, Mr. Bailey, Mr. Thorlund, and Mr. Fugleberg, and you can just proceed in that order. Your entire statements will appear in the record, so if you wish to summarize, it will probably be helpful to the subcommittee.

STATEMENT OF JAMES E. BYRUM, EXECUTIVE SECRETARY, MICHIGAN BEAN COMMISSION

Mr. BYRUM. Thank you, Mr. Chairman and members of the committee.

I have some rather informal remarks I would like to make in regard to some of the questions and concerns that have been expressed. First of all, my name is Jim Byrum. I am the executive secretary of the Michigan Bean Commission, representing 7,500 dry bean growers in the State of Michigan.

First of all, I would like to say that we support both Traxler-Schuette bills, H.R. 4078, H.R. 4079, and also the Coelho bill, H.R. 4166.

A couple of points have been raised concerning whether or not the dry bean industry is concerned about perhaps being too freely traded. Let me say that the reaction that we are getting—or the problem that we see with the existing farm program as it is, basically is one that dry beans, obviously, aren't mentioned in the pro-

gram, but we are reacting to almost the turbulence in the wake of the farm program, and that is that we are a nonprogram crop, that we do see significant interest from across the country in planning by nontraditional growers.

We don't wish by any stretch of our imagination to try to limit dry bean production, though. We welcome any and all comers that want to get into the dry bean production business. Our concern is that we don't want to see people get in the dry bean business that are subsidized by deficiency payments on the balance of those permitted acres —and, in effect, that is what we are seeing right now.

The second point I wish to make deals with what we view as our potential impact, or the potential impact, and all I can speak for is Michigan. We see, and have already seen, a reduction in our grower prices. We forecast that by fall harvest in the 1986 crop we could see a reduction in our grower price to virtually half of what it was at the end of December before the program decision was announced. That could result in a loss to Michigan growers of something like $35 million in income—and I stress that is income, not profit.

I also want to say that that translates back to about a $4,600 reduction per grower in our State. So I think you can understand why we are as concerned as we are.

In regard to the international market of questions that were asked previously, we in Michigan export specifically about 40 to 45 percent, in fact, of our dry edible beans we produce annually. We have been competing in the international market aggressively. We have been successful. We have traditional markets established and we work hard to maintain those. We have been competing even in the face of some monetary problems and some fiscal problems in some of the countries that we deal with.

Now, that is basically all I have to say, but I will look forward to questions.

Mr. GLICKMAN. Thank you very much, Mr. Byrum, we appreciate your statement.

Mr. Bailey.

STATEMENT OF ERIC BAILEY, CHAIRMAN, MICHIGAN BEAN COMMISSION

Mr. ERIC BAILEY. Thank you. My name is Eric Bailey, and I am a farmer from St. Louis, MI. I want to thank you, Mr. Chairman, and the members of this subcommittee, for allowing me the opportunity to present my views on behalf of 7,500 growers from the State of Michigan on what we view as the problems with this year's farm program.

The Food Security Act of 1985, as it currently stands, allows farmers participating in the program, to grow nonprogram crops on the 50 percent of permitted acres not planted to a program crop, and receive 92 percent of their deficiency payment.

This, in effect, subsidizes production of nonprogram crops giving an unfair advantage to traditional growers. This situation presents several problems for our business, because dry beans: navies, pintos, blacks, kidneys, and limas, and other varieties, are nonprogram crops, and eligible to be planted on these permitted acres.

The total acreage of dry beans in 1985 was just over 1.5 million acres, and we could see an increase of 20 percent in acreage from traditional producers for 1986, without even considering the implications of this program. This amounts to only 300,000 acres, but in itself, has the potential of causing price depression because of surplus production.

The issue of planting on permitted acres stands to add between 150,000 and 250,000 additional acres of dry beans to this year's crop, from nontraditional producers, all of which would be surplus production.

The basis of these estimates are on producer projected plantings, on seed sales, and on historical planting projections. There will be short and long-term problems created by this situation. From the short-term perspective, obviously, market prices for dry beans will be even more depressed than what they normally would be.

This is being felt already as grower prices for navy beans fell $2 per hundredweight from a $15 to a $13 price in the last 2 weeks.

Just on speculation of the damage, this program could cause—another little sidelight as of this week, we also heard that the market price has been depressed even further.

Also, canners normally would have contracted for around 25 percent of their annual navy bean requirements by this time. This year, they haven't, and in fact at this time, no bid for new crop beans, due to an uncertainty in the market because of this provision. Where normally our canners would have done something, until they know what planting is actually going to be, they are not willing to commit themselves.

The long-term effect falls into two different areas. First, uncertain markets, and the severe price reductions we foresee, could cause us to return to Washington this fall asking for Government purchases of dry beans for school programs, Public Law 480 export credits, and any other Government help to deal with this surplus of dry beans.

Second, dry beans are one of the commodities in our country that has been freely traded over the years. With the predicament we face because of the farm program this year, and Government subsidization of dry bean production from nontraditional growers through deficiency payments, this crop could become a permanent part of the public dole.

In summary, the dry bean industry is one that has prided itself over the years on not being part of a Government farm program, and being a business that successfully and consistently competes in the international market. This year, we find ourselves at the mercy of the program, and feeling the turbulence, in the wake of this program.

As one wise farmer, Mr. Eugene Robinson of Akron, MI, said in a letter to former Secretary of Agriculture John Block, "This industry ain't broke, why are we trying to fix it?"

We ask you to help us to restore order to our markets and eliminate this provision allowing the planting of nonprogram crops on permitted acres.

All we want to do is be left alone, with the basic law of free enterprise, supply and demand, and no Government intervention, nor Government support programs.

We definitely support the legislation in H.R. 4078 and H.R. 4079 bill presented by Mr. Traxler and Mr. Schuette, and also in the new Coelho proposal.

I want to thank you very much, Mr. Chairman, and will entertain any questions.

[The prepared statement of Mr. Bailey appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much, Mr. Bailey.

Mr. Thorlund.

STATEMENT OF EINER THORLUND, VICE CHAIRMAN, MICHIGAN BEAN COMMISSION

Mr. THORLUND. Thank you, Mr. Chairman, members.

My name is Einer Thorlund, and I am vice chairman of the Michigan Bean Commission, and farm near Greenville, MI.

I also appreciate the opportunity to express my thoughts on the Food Security Act of 1985; my support of bills H.R. 4078, H.R. 4079, H.R. 4166; and to voice my opposition to the provision allowing the planting of nonprogram crops on permitted acres, with only an 8-percent penalty on the deficiency payment.

This situation flies in the face of virtually everything this farm program purports to accomplish. Examples:

The dry bean industry is a business that works. It is based on free markets, prices are set by supply and demand forces. Subsidizing the planting of dry beans and other nonprogram crops on permitted acres makes traditional producers of dry beans compete with subsidized nontraditional growers.

Also, those of us that have grown dry beans as a normal practice for several years, must grow them this year, because in many cases only 40 to 50 percent of our acres qualify as corn or soybean base acreage. Therefore, we must maintain about the same rotations as in past years.

Over the years, just in Michigan, growers have committed over $3 million to research, education, and promotion of dry edible beans. While we are not seeking to limit or regulate who can, or who can't grow beans, we don't feel the Government should encourage farmers to grow them with subsidies, or deficiency payments.

Also, farmers who are considering dry beans this year, who have never before, are basing their decisions on historical price and supply information, and do not understand that the 150,000 to 250,000 additional acres of beans we forecast would upset the normal supply and demand picture of this crop for years to come.

Also, I don't need to explain the state of agricultural economy to anyone in this room. Because of these problems, though, there is a certain amount of despair in agriculture today, with some farmers looking for a quick fix, or different crops they can grow, that they feel may offer a better chance of profit—false hope, as it pertains to dry beans.

So in conclusion, what we ask is a remedy for this situation. While we understand other commodities may face similar problems, I won't attempt to explain their predicament. What I do understand, though, is the irreparable harm that would come to the

dry edible bean industry, if the problem of planting nonprogram crops on permitted acres is not resolved.

Thank you.

[The prepared statement of Mr. Thorlund appears at the conclusion of the hearing.]

Mr. Glickman. Thank you, Mr. Thorlund.

Mr. Fugleberg.

STATEMENT OF RICHARD FUGLEBERG, PRESIDENT, NORTH HARVEST EDIBLE BEAN GROWERS ASSOCIATION

Mr. FUGLEBERG. Thank you, Mr. Chairman.

I would like to take this opportunity to thank you for holding the hearings here today, and also to the Michigan people for allowing me to sit in on their panel.

My name is Richard Fugleberg. I am a farmer from Portland, ND. I am president of the North Harvest Edible Bean Growers Association, an organization of over 3,500 farmer members from Minnesota, North Dakota, and South Dakota, with the majority coming from North Dakota.

I am here to express our concerns as to how we were treated in the new farm bill. Our farmers are mad, and I mean they are mad at the way the new farm program works. It will remove the potential profit in raising dry beans in a north harvest area. The dry bean market is a small one nationwide, but its strength is vital to our existence.

Projections of what the farm bill will do are startling. In 1985, the north harvest area produced 3.7 million 100-pound bags of dried beans. The grower received between 16 to 18 cents a pound. But the potential increase in acres planted to dry beans under the new program the projection is that the price will drop to between 6 and 8 cents a pound in 1986. The results could be a loss of $33 million to growers in the north harvest area, an average of around $8,000 to $10,000 less income for each grower. We cannot afford that.

I would like to point out what is being done to the dry bean industry by comparing it to the auto industry. We have three major automakers in the United States: Ford, General Motors, and Chrysler. For example, if major surpluses existed at Ford and General Motors, they could represent the major surpluses that exist in wheat, cotton, corn, et cetera, perhaps.

Chrysler Corp. has only a small surplus of cars and they would represent the dry bean industry. Now to get rid of that surplus at Ford and General Motors, you decide that they need an incentive to reduce borrowing. You decide to pay them to restrict production to a certain number of cars, at the same time you permit them an alternative type of production—Chrysler-like cars.

Chrysler is already producing the product so they aren't eligible for this payment, but must compete without it. What would Mr. Iacocca say about this?

Mr. GLICKMAN. Excuse me, Mr. Fugleberg. This isn't Mr. Iacocca's platform to get the farm vote for the 1988 presidential election, is it? You are not bringing this out here as kind of a——

Mr. FUGLEBERG. I am just trying to point out I think he would say something about it.

Mr. GLICKMAN. OK.

Mr. FUGLEBERG. OK, thank you.

I have just got a little bit left here.

We in the dry bean industry are like the auto industry—we expect competition and we can compete if we are all treated equally.

In conclusion, I would like to use the old saying—you just heard it a little while ago—if it ain't broke, why fix it?

Before the current farm program was announced, the dry bean industry was running smoothly. Now, with the proposed changes, you could break the North Harvest dry bean industry.

Thank you very much for your time.

Mr. GLICKMAN. Thank you, and I want to thank all the panelists for your ideas.

Mr. Schuette, do you have any questions?

Mr. SCHUETTE. Yes, sir; I do. Thank you, Mr. Chairman.

Thank you, gentlemen, and my friend from Portland, ND. I didn't acknowledge you earlier. My apologies.

Mr. FUGLEBERG. Thank you.

Mr. SCHUETTE. My first question I would like to address to Eric Bailey. Mr. Bailey, the first question to you is: What is the past price history of in profits in dry beans, and how do you relate that to the perceived profit that might come in the future with the problem that today we have seen dry beans go in a short period of time from $15 a bag to $13 a bag, sir?

Do you follow the gist of my question, sir?

Mr. ERIC BAILEY. Yes, I do; Congressman Schuette.

Dry bean production has always been basically a limited acre type of thing, whereas traditional growers also had a traditional market, and that market was strictly on a supply and demand type market. There were years when profitability was quite high; the next year, due to weather and due to market needs, that profitability might be lower. However, there usually was profitability in growing of dry beans in the traditional growing areas.

With the potential we have now of being able to grow dry beans on these participating acres, we could see a decrease in our price to probably half of what it would take to plant that product and be profitable.

Mr. SCHUETTE. What is the normal cost of production per acre for a dry bean grower?

Mr. ERIC BAILEY. In our area—which this is something that can vary somewhat from area to area—the cost of production is going to be total harvest somewhere around $100, $120 an acre. This includes planting, most of the cost up to, and then the harvesting and trucking costs.

Mr. SCHUETTE. Could you explain to all of us and for the record how you view the impacts of this proposal that needs to be changed in terms of the crop basis of a traditional grower versus a nontraditional grower of dry beans and how there are disparities there, sir?

Mr. ERIC BAILEY. I am considered, and the other gentlemen here with me are considered, conventional, traditional growers. Over the many years, we have produced part of our acreage has been put

into dry bean production. So that means that our base for feed grains is less than what a person who has not had nontraditional crops. My acreage base is affected because of my planting of dry beans.

Let's take a person who is in the Midwest, has a 100 percent corn base, he can look at this potential much better because he can plant something different on 50 percent of that acreage and keep his rotation somewhat in place.

I, as a matter of fact, cannot do that, and I cannot hardly use this program because I have to plant some feed grains just to keep somewhat of a crop rotation, thus putting me in a disadvantage on a producer who has a 100 percent base.

Mr. SCHUETTE. Is it fair to say, then, for a traditional bean grower, or any other traditional specialty crop grower, that this provision doesn't permit you that opportunity to participate in it because of your crop rotation and the base that you have had in line for the past history of years? Is that correct, sir?

Mr. ERIC BAILEY. Yes.

Mr. SCHUETTE. OK.

Question for Mr. Thorlund. As vice chairman of the Michigan Bean Commission, sir, what do you pick up in terms of the contracts, of canners—how is this provision impacting potential contracts for dry beans growers and bean shippers?

Mr. THORLUND. In the area that I represent, I would estimate at this point in the market year, we would have between 25 and 30 percent of our beans contracted. It may vary with different parts of the State.

I would estimate this year that our contracted product is 5 percent or less. The reason being, is that the canner is sitting back, and the person who writes the contract is sitting back, and saying, let's wait until the farm bill is settled. Let's see what is happening, because it might contract for a lower price.

Mr. SCHUETTE. Thank you.

Mr. Byrum, is it fair to say that had the interpretation and usage and the outcome of this 92/50 provision been known, and debated, and discussed during the course and the journey of the—Mr. Chairman, may I have two additional minutes?

Mr. GLICKMAN. The gentleman may proceed for an additional 2 minutes.

Mr. SCHUETTE. Thank you, sir.

Is it fair to say that had this 92/50 provision been debated and discussed during the journey of the 1985 farm bill that specialty crops, dry beans, vegetables, hay, alfalfa, potatoes, would have been here to participate in that debate?

Mr. BYRUM. Certainly, Mr. Schuette, we would have been here. Unfortunately, we as a grower organization do not have permanent, or even temporary, Washington representation in terms of private counsel.

Mr. SCHUETTE. Isn't it also fair to say that given that dry beans and other specialty crops are not program crops, they are sensitive to market forces, and in the past have not been part and parcel of the farm bill, that there was no real specific reason for your antenna to be probing out there in terms of that you are going to be

brought into something that you never wanted to go to the church for the wedding anyway; is that fair?

Mr. BYRUM. Well put.

Mr. SCHUETTE. Mr. Bailey, one last question.

How soon—the timing of all this—how soon must this provision be changed for bean growers and other specialty crop growers in order to prevent a devastating impact for 1986 nonprogram crops, sir?

Mr. ERIC BAILEY. We have been told that March 1 has been the sign-up deadline for the 1986 crop year if you are going to participate in a Government program. That is why we feel time is definitely running out on us. We have to have this done post haste.

Mr. SCHUETTE. That means as soon as we can, not after March 1, if that is possible.

Mr. ERIC BAILEY. Yes.

Mr. SCHUETTE. Mr. Chairman, I think that completes my questions unless members of the panel have anything else to add.

Mr. GLICKMAN. Yes, Mr. Byrum, have you got another comment?

Mr. BYRUM. Mr. Chairman, there is only one other thing I would want to add, and that is in my conversations with major food processors across the country, both national in scope, stockholder-owned, and privately owned, the food processors I have had conversations with are very concerned about this provision because of the tremendous uncertainty, not just in dry beans, but all specialty crops.

Mr. GLICKMAN. OK.

Mr. SCHUETTE. Just one.

Mr. GLICKMAN. Mr. Schuette.

Mr. SCHUETTE. Thank you, Mr. Glickman.

I, again, want to thank you all for your testimony, the work that you have done, and the leadership you have provided on this issue across the country.

I thank the chairman for your time as well.

Mr. GLICKMAN. Thank you very much, appreciate your testimony.

We will recess now until 2:15 when it is the intention of the chairman of the subcommittee, Mr. Foley, that we begin a markup on the legislation before us.

[Whereupon, at 1:50 p.m., the subcommittee was recessed, to proceed in markup session at 2:15 p.m., the same day.]

[Material submitted for inclusion in the record follows:]

Statement of William C. Bailey
Deputy Administrator, Program Planning and Development
Agricultural Stabilization and Conservation Service
U.S. Department of Agriculture
before the
House Committee on Agriculture
Subcommittee on Wheat, Soybeans, and Feed Grains
February 19, 1986

Mr. Chairman and Members of the Subcommittee, my name is William Bailey. I am Deputy Administrator of Program Planning and Development of ASCS. I appreciate the opportunity to appear before you today to discuss changes in the Food Security Act of 1985 relating to nonprogram crops and the establishment of 1986 and 1987 farm program payment yields.

The Food Security Act of 1985 provides, with respect to the 1986 through 1990 crops of wheat, feed grains, upland cotton, or rice, that whenever an acreage limitation program is in effect for a crop of these commodities, producers of that commodity may receive deficiency payments based upon the acreage planted to that commodity and the acreage not planted to that commodity with the producer's permitted acreage (up to a maximum of 92% of the permitted acreage) if the underplanted acres are devoted to nonprogram crops or conserving uses and the producers plant at least 50% of the producers' permitted acreage to the commodity. The Act would permit producers to count toward that 50% minimum planting requirement acreage on which they were prevented by State or local quarantine from planting the commodity as long as a program crop is not planted on that acreage.

H.R. 4078 would amend the definition of nonprogram crop to exclude dry edible beans, thereby requiring that it be treated as a program crop and discouraging the planting of this commodity on the underplanted acres. H.R. 4079 would amend the definition of nonprogram crop to provide the Secretary with discretion to exclude any commodity other than a program commodity from the definition of nonprogram crop if the Secretary determines that the production of such commodity on the underplanted acres would adversely affect the income of the producers of such commodity.

We understand the concerns being expressed by the dry edible bean producers as well as other nonprogram crop producers. However, supporting the specific exemption of the dry edible beans from the nonprogram crop classification would likely lead to other requests for additional exemptions. More importantly, such an exemption reduces the flexibility a farmer needs to make market oriented planting decisions.

With respect to the establishment of 1986 and 1987 farm program payment yields, the Food Security Act of 1985 provides generally that the farm program payment yield for each of the 1986 and 1987 crop years shall be the average of the farm program payment yields for the farm for the 1981 through 1985 crop years, excluding the high and low years. H.R. 4105 would place a floor on this calculation by mandating that the farm program payment yield for the 1986 or 1987 crop year may not be established at a level less than the 1985 program payment yield.

By requiring that 1986 and 1987 farm program payment yields be not less than the farm program payment yields established for 1985, H.R. 4105 will likely result in increased outlays for fiscal years 1986-88 of approximately $850 million. We are especially opposed to any change in the present yield provisions of the farm bill because it was one of the required cost saving provisions agreed upon in order to make the bill acceptable to the Administration. Such an increase in government outlays is unacceptable to the Administration. Reductions in the federal deficit must be achieved and legislation which results in increased outlays runs counter to this effort.

One of the problems with past price support legislation has been that producers have produced crops just to receive program benefits. Market signals were being distorted by government policy and programs. The 1985 Farm Bill made significant strides in de-emphasizing program benefits as production incentives. Under the 50/92 provision, producers do not have to plant their full permitted acreage to receive their full deficiency payments. And by freezing program yields, it decouples increases in productivity from deficiency payments making market returns the incentive for improving productivity. We think both of these program provisions are consistent with a move to a more market-oriented agriculture and therefore, would not support changing the provisions.

We believe it is inappropriate at this time to reopen commodity provisions of the farm bill for changes. The changes contained in H.R. 4078, 4079 and 4105 are believed to fall outside of the scope of technical corrections. The Administration therefore, opposes this legislation.

This concludes my statement, Mr. Chairman, and I will be happy to respond to any questions.

Statement of Bud Leuthold, President
National Association of Wheat Growers
before the Subcommittee
on Wheat, Soybeans and Feed Grains
House Committee on Agriculture
on Yield Determinations and Non-program Crops
February 19, 1986

Mr. Chairman and Members of the Subcommittee:

The National Association of Wheat Growers appreciates this opportunity to present its views before the subcommittee regarding provisions of the "Food Security Act of 1985". I am Bud Leuthold, a wheat grower from Billings, Montana and president of the NAWG. With me today is Carl Schwensen, the association's executive vice president.

We have a new farm act. It did not come easy, but I believe that it offers some real hope for the future. Everything was thrown into the discussion, and there was an extended search for novel solutions to agriculture's problems. And innovations were found which can provide needed farm income protection in conjunction with stronger efforts to be competitive in the world market. This will not happen, however, unless steps are taken quickly to deal with defects in the law which directly affect the determination of farmers' income. The Congress removed several program implementation problems when it recently passed chairman de la Garza's technical corrections bill. Still outstanding, however, is the modification of the yield provision which drastically alters a grower's established output for farm program purposes.

In the past, farm program yields have been based on a five-year average of proven or established yields, and growers have been able to have their effeciencies reflected in this annual determination. The Act, however, supplants this formula with a system which amounts to an average of averages utilizing yield history that dates back to the mid-1970's. It then freezes these reduced yields for two years and provides that the five-year proven yield mechanism which could begin in 1988 will be based on 1983-86 program payment yields and the 1987 proven yield. The effect is to immediately reduce the program yield for wheat producers by 10 percent nationally, and by as much as 30 percent to individual growers. This will directly affect the level of deficiency payments made to individuals, as well as the amount of payments-in-kind that they are eligible to receive. Thus, growers who have achieved gains in efficiency through the use of improved seed varieties and improved farming practices are directly penalized. We hope that this is not what the Congress intended.

To correct this problem, the NAWG recommends that three of the previous four years of proven or established yields be used in determining program payments. Yields should not be frozen after 1987, and in 1988 and subsequent years program yields should be

based on a moving five-year proven yield determination. Legislation before this subcommittee (H.R. 4105) would freeze program yields at the level established for 1985. We hope that a remedy at least this helpful can be adopted by the Congress prior to the March 3 - April 11 program signup period.

Attention has recently been focused on another provision of the 1985 Act. This is the so-called "underplanting" provision which would permit growers to seed only one-half of the permitted acreage (base minus required diversion) to qualify for payments on 92 percent of their permitted acreage. The remaining one-half of his permitted acreage could be planted to any non-program crop.

The NAWG has looked upon this provision as a means provided by Congress for a grower to diversify and generate additional farm income during a very serious economic period, while not being forced to fully plant his permitted acreage to a crop already in surplus. It can also be used to enable a farmer to conserve land resources and reduce production expenses while retaining his acreage base.

Frankly, we wonder about the extent to which this provision will be used, since non-program crops options will be limited by climate, markets, the availability of specialized machinery, and -- most of all -- economics. It will be difficult for many farmers to find a non-program crop which generate returns which outpace those they could gain by seeding all their permitted acreage to a program crop.

We all know that the Gramm-Rudman outlay reductions will take 4.3 percent off of 1985 target prices which Congress intended to freeze at 1985 levels. The Secretary of Agriculture has used his "Findley provision" authority to reduce the price support loan level for wheat by 20 percent in 1986, and the Gramm-Rudman sequestration will chop off another 4.3 percent. Market prices are already beginning to seek the new, lower loan levels, and offsetting target price payments to farmers remain under the established payment limitation. The result is an intensified squeeze on farm income which is already averaging at Depression-era levels. For this reason, it is vital that all possible be done to perserve the benefits available to qualified farmers under farm programs.

Thank you again for this opportunity to appear before the subcommittee. We will be pleased to respond to your questions at the appropriate time.

National Corn Growers Association
1000 Executive Parkway
Suite 224, P.O. Box 27353
St. Louis, MO 63141
314/275-9915

STATEMENT OF

DAIN FRIEND, PRESIDENT
THE NATIONAL CORN GROWERS ASSOCIATION

BEFORE

SUBCOMMITTEE ON WHEAT, SOYBEANS AND FEED GRAINS
COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES
WASHINGTON, D.C.

ON

FEBRUARY 19, 1986

MR. CHAIRMAN AND COMMITTEE MEMBERS: I AM DAIN FRIEND, THE FARMER-PRESIDENT OF THE NATIONAL CORN GROWERS ASSOCIATION (NCGA), AND A CORN FARMER FROM WARRENSBURG, ILLINOIS. THE MEMBERS OF OUR ORGANIZATION APPRECIATE HAVING THE OPPORTUNITY OF TESTIFYING TODAY BEFORE YOU AND YOUR COMMITTEE ON H.R. 4105, A BILL TO DEFINE AND FREEZE THE FARM-BY-FARM "PROGRAM YIELD" AVERAGES WHICH ARE USED IN CALCULATING INCOME SUPPORT PAYMENTS. AS MANY OF YOU MAY KNOW, NCGA REPRESENTS CORN FARMERS IN SEVENTEEN AFFILIATED MEMBER STATES: COLORADO, GEORGIA, ILLINOIS, INDIANA, IOWA, KANSAS, KENTUCKY, MARYLAND, MICHIGAN, MINNESOTA, MISSOURI, NEBRASKA, NORTH CAROLINA, OHIO, PENNSYLVANIA, VIRGINIA AND WISCONSIN. IN ADDITION, THERE ARE INDIVIDUAL CORN GROWER MEMBERS IN ALL FORTY-EIGHT (48) STATES. THE PURPOSE OF THE NCGA IS TO ENHANCE AND EXPAND THE USE, MARKETING, AND EFFICIENT PRODUCTION OF AMERICAN CORN.

MR. CHAIRMAN, THE NATIONAL CORN GROWERS ASSOCIATION WOULD LIKE TO TAKE THIS OPPORTUNITY TO COMMEND YOU AND YOUR COLLEAGUES FOR HOLDING THIS PUBLIC HEARING TO EVALUATE AND CLEARLY DEFINE THE INTENT OF CONGRESS WITH REGARD TO THE CALCULATION OF FARM PROGRAM YIELD AVERAGES.

AS YOU ARE WELL AWARE, THE FORMULA USED TO CALCULATE A PAYMENT YIELD IS OF SIGNIFICANT ECONOMIC IMPORTANCE TO EACH OF THE NATION'S 1.3 MILLION CORN FARMERS. THE U.S. DEPARTMENT OF AGRICULTURE'S INTERPRETATION OF YIELD FORMULA PROVISIONS IN THE FOOD SECURITY ACT OF 1985 WILL REDUCE, WITHOUT EXCEPTION, EVERY PRODUCER'S PAY YIELD AND SUBSEQUENT NET FARM INCOME.

ABSENT A LEGISLATIVE REMEDY, IT IS THE BELIEF OF THE NATIONAL CORN GROWERS ASSOCIATION THAT THE INTENT OF CONGRESS WILL BE CIRCUMVENTED SHOULD THE CURRENT ADMINISTRATION INTERPRETATION OF PROGRAM YIELDS--WHICH AVERAGES PAST PROGRAM PAY YIELDS, WHICH IN THEMSELVES ARE AVERAGES--IS ALLOWED TO STAND.

SINCE THE PRESIDENT SIGNED THE FOOD SECURITY ACT OF 1985, THE ADMINISTRATION'S APPLICATION OF THE USDA'S BUDGET HAS BELIED, IF NOT EMASCULATED, THE EFFECTIVENESS AND BENEFITS OF A NUMBER OF IMPORTANT PROGRAMS THAT WILL HAVE A TREMENDOUS IMPACT ON A FARMER'S SUBSEQUENT NET FARM INCOME. REGARDLESS OF THE ISSUE, WHETHER WE FOCUS ON PROGRAM BASES, EXPORT CREDIT PROGRAMS, P.L. 480 APPLICATION, FmHA FUNDING LEVELS OR THE PURPOSE OF TODAY'S IMPORTANT HEARING - PROGRAM YIELD INTERPRETATION - THE U.S. CONGRESS MUST KEEP THE ADMINISTRATION'S FEET TO THE FIRE IF ANY OF THE PROGRAMS OF THE HISTORIC 1985 FARM BILL ARE EXPECTED TO MEET YOUR AS WELL AS NCGA'S DESIRED GOALS AND EXPECTATIONS.

THE 1985 FARM BILL WAS WRITTEN IN CONCERT WITH THE EXECUTIVE BRANCH. IT IS IMPERATIVE THAT THEY ARE REQUIRED TO LIVE UP TO THEIR COMMITMENTS AND OBLIGATIONS. WITHOUT THE ADMINISTRATION'S UNDERSTANDING AND COOPERATION ON THE IMPLEMENTATION OF THE FOOD SECURITY ACT IT IS DESTINED TO FAIL.

TO THIS END, THE NCGA STRONGLY SUPPORTS THE PROGRAM YIELD PROVISIONS AS DEFINED IN H.R. 4105. WE WOULD URGE YOUR FAVORABLE CONSIDERATION AND PASSAGE OF THIS LEGISLATION.

WE APPRECIATE THIS OPPORTUNITY TO APPEAR BEFORE YOU TODAY, AND WILL ATTEMPT TO ANSWER ANY QUESTIONS YOU MAY HAVE ABOUT OUR TESTIMONY.

STATEMENT OF THE AMERICAN FARM BUREAU FEDERATION
BEFORE THE HOUSE AGRICULTURE SUBCOMMITTEE ON
WHEAT, SOYBEANS AND FEED GRAINS
CONCERNING UNDERPLANTED ACREAGE PROVISIONS OF THE
FOOD SECURITY ACT OF 1985

Presented by
John C. Datt, Executive Director, Washington Office

February 19, 1986

The American Farm Bureau Federation appreciates the opportunity to appear before this Subcommittee and to discuss the underplanted acreage provisions of the 1985 farm bill. The bill contains provisions that would allow producers of farm program crops to plant less than the total amount of permitted program acreage. They could still receive 92 percent of the total deficiency payment while maintaining the base acreage for the program crop. This provision stipulates that program participants must plant at least 50 percent of the crop acreage base to the program crop but provides that if the producer underplants by at least 8 percent of the permitted acreage, he will receive 92 percent of the total deficiency payment. In short, program participants will be allowed to produce any non-program crop on as much as half of the farm program acreage base and receive program benefits.

Farm Bureau is concerned that this provision will create additional production of many non-program farm commodities and adversely impact their market prices. This includes vegetables for processing, dry beans, oilseeds, hay and other similar crops. Producers receiving deficiency payments will unfairly compete with producers of these commodities who have not been receiving federal government farm program support. Farm Bureau believes that producers should be allowed to underplant provided that the underplanted acreage is not commercially harvested or grazed. Allowing underplanting with this restriction will eliminate the incentive to produce additional commodities only for the purpose of maintaining crop acreage base and maximizing deficiency payments. Requiring conservation uses, however, would avoid the detrimental impact of increased production on non-program crops.

Farm Bureau supported the passage of the Food Security Act of 1985. However. we believe there is a basic issue of fairness involved as it relates to the underplanted acreage provisions. If the law is left unchanged, we are concerned that the non-program farm commodities that would be adversely affected would demand drastic changes in the farm program provisions. The producers of non-program farm commodities have not sought federal support and, therefore, in the interest of fairness, should not be adversely affected by other farm programs.

We urge the Subcommittee to report a bill that would require underplanted acreage be planted to soil conserving uses. We urge that this be done as quickly as possible so this provision could be in effect for the current farm program year.

We appreciate the opportunity to present our views on this important issue.

American Farm Bureau Federation

WASHINGTON OFFICE
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SUITE 800
WASHINGTON, D.C. 20024
AREA CODE 202 - 484-2222

February 19, 1986

The Honorable Thomas S. Foley, Chairman
Wheat, Soybeans and Feed Grains Subcommittee
House Agriculture Committee
1336 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

In addition to the concerns that we have outlined during testimony regarding the production of nonprogram crops on underplanted acreage and the reduction in yields that result from the use of a five-year history, the American Farm Bureau Federation is concerned about the effect that new methods of calculating crop acreage bases will have on producers that have already seeded fall-planted crops. Using a five-year history for determining individual acreage bases will reduce producers' crop acreage base in cases where the producer has shifted farm production from one crop to another. We strongly urge the Secretary to allow producers to shift up to 10 percent of the farm acreage base from one crop to another, but that will only partially alleviate this problem.

Those producers who had to make planting decisions before the 1985 farm bill was passed by either the House or the Senate are now finding that even if they planted in accordance with a expected 25 to 30 percent acreage reduction requirement, and based upon 1985 crop acreage bases, they now must destroy as much as an additional 30 percent of their planted acreage in order to comply with the 1986 program provisions. This occurs because a five-year production history may reduce the crop acreage base for the crop in question, but the operative crop acreage base for 1985 was based only upon a more recent production history which created a larger crop acreage base for that particular crop.

We believe that at the very least, producers that seeded crops in the fall of 1985 should not be required to comply with the new crop acreage base calculations because that would involve retroactive application of new program provisions that would be unfair, inequitable and extremely costly to producers who have invested time, money and effort in planting crops in accordance with their best estimate of a law that had not been adopted at the time the decision needed to be made. In a more general sense, we would also ask that the Subcommittee reconsider the impact that such crop acreage base formulas will have on all producers of farm program crops.

We appreciate your consideration of our views and request that this letter be included in the hearing record.

Sincerely,

John C. Datt
Executive Director
Washington Office

cc: Members of the Subcommittee

HOUSE AGRICULTURAL SUBCOMMITTEE ON
WHEAT, SOYBEANS, AND FEED GRAINS

STATEMENT OF DOUG MICHAEL
NATIONAL POTATO COUNCIL

Mr. Doug Michael
Immediate Past President
National Potato Council

Thomas A. Hammer
Government Relations Advisor
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February 19, 1986

HOUSE AGRICULTURAL SUBCOMMITTEE ON
WHEAT, SOYBEANS, AND FEED GRAINS

STATEMENT OF DOUG MICHAEL
NATIONAL POTATO COUNCIL

Mr. Chairman, I am Doug Michael, a potato producer from Urbana, Ohio, and immediate past president of the National Potato Council. I am here today on behalf of the National Potato Council seeking legislative corrections to the so-called underplanting provision of the 1985 farm bill.

This provision permits producers of farm program crops to produce nonprogram commodities, such as potatoes, on up to 50 percent of their permitted acres and still receive 92 percent of their federal subsidy payments.

The National Potato Council supports legislation designed to preclude the planting of nonprogram commodities, such as potatoes, under this provision where the planting of such commodities will have an adverse impact on the income of the producers.

The National Potato Council, the only national trade association representing the nation's 13,000 potato growers, has had a longstanding policy of opposition to any and all domestic government subsidy and diversion programs for

potatoes. The Council has worked vigorously against any effort to include potatoes in government farm programs. The Council firmly believes the government subsidy programs do not aid in the successful supply and demand marketing of potatoes.

We believe the underplanting provision contained in the 1985 Farm Bill is grossly unfair. While producers of potatoes do not ask for government subsidies, we feel that the underplanting provision represents a serious flaw in the new farm program in that it provides a subsidy to farm program participants to produce potatoes.

Since the domestic potato industry is not supported by federal loans or deficiency payments, the potato grower must derive his income from the marketplace. The potato industry is subject to the variances in world supply and demand. Potato producers have learned to accept, and deal, with this situation. Several years ago the returns to potato growers were reasonable. But last year, due to increased domestic supply and a series of unfair trade problems with Canada, the domestic market fell to perhaps its lowest level since the Great Depression. To illustrate the magnitude of increased domestic production this past year, the production for 1981, 1982, 1983, and 1984 was respectively 340,623,000 cwt.; 355,131,000 cwt.; 333,911,000 cwt.; and 361,648,000 cwt., as compared to 1985, which saw dramatically increased

production of 409,235,000 cwt. This represents an increase of approximately 15 percent over the average yearly production of the previous four-years. This situation caused net returns to potato growers to fall to all-time lows in some cases. We expect that this situation will begin to correct itself this year as the market signals for less production. Unfortunately, the new farm bill has been written in such a manner as to encourage traditional producers of wheat and corn, for example, to shift a sizable portion of their acreage to cash crops such as potatoes. The market is not calling for the production of additional potatoes. If a decision is made by program crop producers to switch to potatoes, it is because these decisions have been influenced by the fact that participants in the farm program will continue to receive federal subsidy payments while planting potatoes instead of feed grains, wheat, rice or cotton.

Mr. Chairman, the National Potato Council does not seek federal subsidy payments. However, we must emphatically request that the Congress take steps to nullify the negative effects of the 1985 Farm Bill by ensuring that producers of farm program crops cannot utilize this underplanting provision if it is determined that their decision to produce potatoes will adversely impact the income of potato growers. Potato producers can and will deal with the supply and demand problems of the marketplace, but we are not equipped to deal with problems that are caused by government subsidies and intervention. Mr. Chairman, the National Potato Council urgently requests your committee to pass an amendment to correct this inequitable situation as quickly as possible. We thank you for holding hearings on this matter, which is vitally important to the nation's potato growers.

Statement of
Western Growers Association
Irvine, California

Presented by
John J. Connolly
of
Bill Hecht and Associates, Incorporated
Washington Representative for
Western Growers Association

Subcommittee on Wheat, Soybeans and Feed Grains
Committee on Agriculture
United States House of Representatives
February 19, 1986

GOOD MORNING, MR. CHARIMAN

MY NAME IS JOHN CONNOLLY. I AM HERE TODAY TO REPRESENT THE GRAVE CONCERNS OF THE WESTERN FRESH VEGETABLE AND FRUIT INDUSTRY WITH THE ACREAGE REDUCTION PROVISIONS OF THE 1985 FARM BILL, WHICH ARE JUST NOW BEGINNING TO BE IMPLEMENTED BY THE U.S. DEPARTMENT OF AGRICULTURE.

I AM TESTIFYING ON BEHALF OF WESTERN GROWERS ASSOCIATION, AN ORGANIZATION THAT REPRESENTS MORE THAN 1,200 GROWERS, PACKERS AND SHIPPERS OF FRESH FRUIT AND VEGETABLE COMMODITIES IN CALIFORNIA AND ARIZONA. THE ASSOCIATION'S MEMBERS PRODUCE APPROXIMATELY ONE-HALF THE NATION'S FRESH VEGETABLES, PLUS A SIGNIFICANT AMOUNT OF ITS FRESH FRUITS.

THE ACREAGE REDUCTION PROGRAMS CONTAINED IN THE 1985 FARM BILL REQUIRE THAT THE U.S. DEPARTMENT OF AGRICULTURE PROVIDE WHEAT, FEED GRAIN, UPLAND COTTON, AND RICE PRODUCERS THE OPTION OF PLANTING ONLY 50 PERCENT OF THEIR PERMITTED ACREAGE, PROVIDED THIS "UNDERPLANTED" ACREAGE IS DEVOTED TO CONSERVATION OR NONPROGRAM CROPS.

IT IS THE ABILITY OF PRODUCERS PARTICIPATING IN THIS PROGRAM TO PLANT SO-CALLED NONPROGRAM CROPS ON THIS ACREAGE, WHILE AT THE SAME TIME

RECEIVING PAYMENTS FOR NOT PLANTING THEIR PROGRAM CROP, THAT HAS THE WESTERN VEGETABLE AND FRUIT INDUSTRY SO CONCERNED. GROWERS IN THE WEST BELIEVE THIS PROVISION WILL ENCOURAGE THE BENEFICIARIES OF THIS PROGRAM TO PLANT CROPS THAT WILL DIRECTLY COMPETE WITH THEIR OWN IN THE MARKETPLACE. NOT ONLY WILL THIS INCREASE OVERALL CROP ACREAGE, AND THEREFORE DEPRESS PRICES, IT WILL PUT NON-BENEFICIARIES OF THE PROGRAM AT A COMPETITIVE DISADVANTAGE IN THE MARKETPLACE WITH PRODUCERS WHO ARE RECEIVING PAYMENTS UNDER THE ACREAGE REDUCTION PROGRAM.

CROPS THAT WILL BE AFFECTED MOST DRAMATICALLY BY THIS PROGRAM ARE THOSE WHICH CAN EASILY BE PLANTED ON ACREAGE CURRENTLY DEVOTED TO THE PROGRAM CROPS. THESE WOULD INCLUDE CANTALOUPES, HONEYDEW MELONS, LETTUCE, POTATOES, TOMATOES, ONIONS, BROCCOLI, CAULIFLOWER, AND OTHER VEGETABLE CROPS. TOTAL ACREAGE FOR THESE TYPES OF CROPS IN CALIFORNIA AND ARIZONA IS WELL OVER ONE MILLION ACRES. THE TOTAL VALUE OF THESE CROPS IS ROUGHLY $3 BILLION.

FOR THE PAST SEVERAL YEARS, F.O.B. PRICES FOR MANY OF THESE CROPS HAS BEEN AT, OR VERY NEAR, THE COST OF PRODUCTION. USING LETTUCE AS AN EXAMPLE, FROM JANUARY, 1984 TO JUNE, 1985, THE F.O.B. PRICE ON A DAILY

BASIS AVERAGED LESS THAN THE COST OF PRODUCTION. DURING THIS EIGHTEEN MONTH SLUMP, AND THE 7 MONTHS SINCE, APPROXIMATELY 20 PERCENT OF THE GROWER-SHIPPERS IN THE SALINAS VALLEY HAVE CEASED PRODUCTION, AND IT IS ESTIMATED THAT ANOTHER 10 PERCENT WILL DO THE SAME BY THE END OF 1986.

OVERPRODUCTION IS THE PRIMARY CAUSE OF THIS SITUATION. THE EXAMPLE OF THE LETTUCE INDUSTRY IS NOT A UNIQUE ONE. GROWERS OF MELONS, TOMATOES, AND OTHER VEGETABLE CROPS HAVE HAD SIMILAR EXPERIENCES IN RECENT MONTHS AND YEARS. HISTORY HAS SHOWN THAT EVEN SLIGHT CHANGES IN ACREAGE -- UP OR DOWN -- CAN RESULT IN SUBSTANTIAL, AND SOMETIMES DRAMATIC, FLUCTUATIONS IN PRICE.

GROWERS IN CALIFORNIA AND IN ARIZONA FULLY APPRECIATE THE PROBLEMS OF OVERPRODUCTION, THE RESULT THIS OVERPRODUCTION HAS ON PROGRAM COMMODITY PRICES, AND WHY CONGRESS WOULD WANT TO ADDRESS THE PROBLEM.

THE INDUSTRY CANNOT APPRECIATE, NOR TOLERATE, HOWEVER, A PROGRAM THAT IS DESIGNED TO REDUCE ACREAGE IN SOME COMMODITIES, WHILE SUBSTANTIALLY INCREASING ACREAGE IN OTHERS NOT COVERED BY A FARM PROGRAM.

GROWERS AND SHIPPERS OF WESTERN FRUITS AND VEGETABLES DID NOT COME TO

YOU IN 1985 ASKING FOR PRICE SUPPORTS, ACREAGE REDUCTION PROGRAMS, OR OTHER PLANS FOR THEIR FARMS. THEY ARE ASKING, HOWEVER, THAT YOU ACT NOW TO PREVENT THE IMPLEMENTATION OF A PROGRAM THAT WILL RESULT IN GROSS OVERPRODUCTION OF THEIR NON-PROGRAM CROPS, AND EVEN SUBSIDIZATION OF THEIR COMPETITION. THEY URGE YOUR SUPPORT OF LEGISLATION THAT WOULD PREVENT THE PLANTING OF NON-PROGRAM CROPS UNDER THE ACREAGE REDUCTION PROVISIONS OF THE FARM BILL. MANY VERY WELL MAY NOT SURVIVE IF YOU DON'T ACT IMMEDIATELY TO CLOSE THIS LOOPHOLE.

THANK YOU FOR YOUR KIND ATTENTION, AND WESTERN GROWERS WILL BE VERY PLEASED TO ANSWER YOUR QUESTIONS AND WORK WITH YOU TO RESOLVE THIS THREATENING PROBLEM.

THE NATIONAL DRY BEAN COUNCIL INC.

A NON-PROFIT ORGANIZATION OF GROWERS AND SHIPPERS

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NATIONAL DRY BEAN COUNCIL TESTIMONY
before
House Agricultural Subcommittee
on Wheat, Soybeans, and Feed Grains
February 19, 1986

Chairman Foley and Members of this distinguished committee:

My name is Chips Barlow, Secretary/Treasurer, National Dry Bean Council.

Thank you for the opportunity of appearing before you to present the position of the National Dry Bean Council on the question of planting dry beans on so called, "permitted acres." Attached is a list of the delegate and alternate members of the Council representing dry bean growers, shippers, processors in California, Michigan, Colorado, Idaho, Kansas, Minnesota, North Dakota, Montana, Nebraska, New York, and Wyoming.

The probability of greatly increased planting of dry beans on permitted acres as a consequence of the Food Security Act of 1985 was analyzed by the NDBC during its annual meeting January 30th. Members of the NDBC stated because of the high demand for dry bean seed from areas which customarily do not raise dry beans, there was great concern that a unprecedented acreage of dry beans would be planted.

After further examination, the Council unanimously passed a resolution stating, "The NDBC requests the USDA to remove dry beans as an eligible crop for planting on permitted acres and that if necessary, NDBC is to take legislative action to accomplish this objective."

Subsequently, the Council issued a news release dated February 7, 1986 which is attached quoting James L. Stein, President, NDBC, "U.S. dry bean acreage normally ranges from 1.5-2.0 million acres and that a carryover of up to one million cwt. surplus stock invariably occurs when acreage exceeds this.

The surplus results in across-the-board reduction in value of all dry beans. With domestic consumption of dry beans trending softer and third world markets short of purchasing power, prospects for moving large additional acreage to market are not bright," Stein said.

A copy of this release is attached to this testimony.

The dry bean industry is not a price supported crop. The Government does not own any stocks of dry beans and the NDBC is not receiving financial support from the U.S. Government in any form except the sharing of international market development funds from the Foreign Agricultural Service and periodic purchases of dry beans for the school lunch program and other feeding programs.

Dry bean purchases receive no preferred treatment except recognition that dry beans are an excellent source of low cost protein and possess a high fiber content which is looked upon favorably by many nutritionists.

In short, beans are not currently part of so called Government programs and the NDBC states emphatically, we do not wish to become involved in Government farm programs.

However, our bottom line is we feel we can be swamped--"drowned in the prop wash" of excess of dry bean planting as a "throw-away crop"on permitted acres. Even a minuscule planting of dry beans on the permitted acres of any of the program crops could be devastating to dry bean growers coast to coast.

We support the legislation introduced by Congressmen Traxler HR 4078 which excludes beans as a crop to be planted on permitted acreage. We also support, although we have some reservations, HR 4079 which would delegate discretionary authority to the USDA. The reason for reservation is we are not sure the USDA would exclude dry beans as an eligible crop. Furthermore, the time to make such decision may render the action worthless for the 1986 growing season.

If this distinguished Committee should develop legislation which would prohibit the planting of any crop on permitted acreage except conservation crops, the NDBC would support such legislation.

Attached is statistical data, from the USDA on dry bean acreage and yield. Shall be pleased to answer whatever questions you may have.

(Attachments follow:)

THE NATIONAL DRY BEAN COUNCIL INC.

A NON-PROFIT ORGANIZATION OF GROWERS AND SHIPPERS

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FOR FURTHER INFORMATION CALL
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Washington, DC 20005
(202) 466-2804

NEWS RELEASE

Washington, DC, February 7, 1986

In response to intense new interest in planting dry beans on diverted acres, the NDBC during its annual meeting voted unanimously to request the USDA to remove dry beans from the list of eligible crops.

The National Dry Bean Council is a national organization representing the interest of dry bean growers, shippers, and processors.

The question of dry bean plantings surfaced as the NDBC analyzed a ground swell of interest to plant dry beans in both traditional and new areas, triggered by provisions of the 1985 Food Security Act which calls for reductions in major cash crops which are in surplus.

Acreage of so called, "program crops" including corn, wheat, soybeans, and cotton must be reduced for a farmer to qualify for acreage diversion payments. Growers have the option of planting other or "nonprogram" crops on permitted diverted acres. Dry beans are being considered a profitable alternative.

Dry beans are processed or packaged: Navy, Pinto, Great Northern, Kidney, Garbanzo, Limas, Pinks, Cranberry, Blacks, Black Eye, and Small Whites.

James L. Stein, President of the National Dry Bean Council said, "U.S. dry bean acreage normally ranges from 1.5 - 2.0 million acres and that a carryover of up to one million cwt. surplus stock invariably occurs when acreage exceeds this. The surplus results in across the board reduction in value of all dry beans."

"With domestic consumption of dry beans trending softer and third world markets short of purchasing power, prospects for moving large additional acreage to market are not bright," Stein said. "The U.K. and western Europe are two prime cash markets for U.S. dry bean products, but neither have the market capacity or infrastructure to absorb the anticipated increased production if farmers opt to plant dry beans on diverted acres of corn, cotton, soybeans or wheat this year."

NDBC member associations in Michigan, Minnesota, North Dakota, Colorado, Idaho, and California are continuing to advise all involved of the economic consequences from increased plantings or dry beans this year.

The problem has prompted legislative action by Congressman J. Bob Traxler, (D) from Michigan's 8th Congressional District where 80% of Michigan's annual 450,000 acre dry bean crop is produced. Traxler introduced two bills; one would prohibit the planting of dry beans on permitted diverted acres; the second would give the Secretary of Agriculture the discretionary

power to prevent the planting of beans or other nonprogram crops on permitted diverted acres where substantial financial loss would likely result. While this and other Congressional action is supported by the NDBC, passage may not be in time to impact the 1986 dry bean crop.

The NDBC is urging the Extension Service in existing and prospective dry bean producing areas to give growers the facts so that all options can be thoroughly weighed before planting. This same case is being taken to the State Departments of Agriculture, farm and commodity organizations, bankers, elevators, and others in the agribusiness community.

(Example-a producer with a 100 acre corn base must set aside or not plant 20 acres of his base in 1986 to qualify for a diversion payment from the government for compliance. However, the producer need plant only 50% of his remaining acreage (40 acres) to corn to qualify. The other 40 acres can be planted to a so-called nonprogram crop to qualify producer for 92% of the diversion payment. Similar formulas apply to other program crops)

JUL 16 1985

Crop Production

Crop Reporting Board
Statistical Reporting Service

United States Department of Agriculture
Washington, D.C. 20250

RELEASED: July 10, 1985
3:00 P.M. ET

DRY EDIBLE BEANS 1/

CROP AND STATE	AREA PLANTED		AREA HARVESTED	
	1984	1985	1984	IND 1985
	1,000 ACRES			
LARGE LIMA				
CALIF	36.0	39.0	35.0	39.0
BABY LIMA				
CALIF	28.0	31.0	27.0	31.0
OTHER				
CALIF	127.0	110.0	122.0	110.0
ALL				
CALIF	191.0	180.0	184.0	180.0
COLO	195.0	230.0	190.0	225.0
IDAHO	140.0	120.0	138.0	118.0
KANS	13.0	17.0	12.0	16.0
MICH	400.0	430.0	390.0	420.0
MINN	52.0	68.0	50.0	64.0
MONT	8.5	4.0	8.0	3.8
NEBR	175.0	160.0	170.0	155.0
N Y	35.0	36.0	34.0	35.0
N DAK	205.0	260.0	200.0	250.0
UTAH	9.5	8.5	9.3	8.3
WASH	35.0	34.0	34.0	33.0
WYO	38.0	29.0	37.0	28.0
U S	1,497.0	1,576.5	1,456.3	1,536.1

1/ EXCLUDES BEANS GROWN FOR GARDEN SEED.

WESTERN
BEAN DEALERS ASSOCIATION, INC.

POST OFFICE BOX 1231 • TWIN FALLS, IDAHO 83303-1231 •

Ken High, President Kelley Bean Company, P.O. Box 70, Filer, Id. 83328

DRAFT
WESTERN BEAN DEALERS ASSOCIATION TESTIMONY
BEFORE - THE HOUSE AGRICULTURE SUBCOMMITTEE
ON WHEAT, SOYBEANS, AND FEED GRAINS

Chairman Foley and Members of this distinquished committee,

I am Harold Wilson, representing the Western Bean Dealers Association of Idaho and am currently the sales manager for Beakon Bean Company of Gooding, Idaho.

We, of the Western Bean Dealers Association of Idaho, do not believe that Congress intended to destroy the dry edible bean industry of the United States. However, this new Farm Bill might accomplish this very easily.

The effects of the new Farm Bill are being felt in our markets today. The average price of beans has dropped $3.00 per hundred weight just from the news of the farm bill. This has happened in a short period of two weeks, and we feel that this downward trend in prices will certainly continue if this Farm Bill and the provisions within it are left in its present form.

The provision in the bill allowing farmers to plant non-program crops on the permitted acres must be changed if at all possible. So far, the prices have dropped drastically in the anticipation of over production for the upcoming crop year. Dry edible beans are not a government supported crop, and the price is controlled soley by supply and demand. Any increase in production without corresponding increases in sales will cause a reduction in the prices received for the crop.

In Idaho, the pricing trend now is headed for destruction for the farmers. The cost of production of dry edible beans will soon be well above the actual market value.....and there is no support program for the traditional bean growers who have managed to survive in this current "farm crisis". The areas in the United States that traditionally never produce beans are now requesting bean seed from our Idaho warehouses and from our Idaho farmers who basically have not participated in the government programs in the past.....the same Idaho farmers who will now be subjected to becoming "victims" of the new Farm Bill.

Idaho is unique, also, in the fact that we also produce bean seed for the other traditional dry bean growing areas. Since the Farm Bill went into effect, we have had requests from non-traditional bean growing areas for

bean seed. As the supplies of bean seed will deplete soon, we can probably assess the fact the the new bean growing areas will plant whatever they can get their hands on. Plantings of bin run beans as "seed" will destroy the seed market as well as the edible market. The devastating effects of this is fifteen to twenty years of research on seed for disease problems, quality problems, and yeild results totally destroyed by the Farm Bill. This Farm Bill will encourage growers throughout the United States to not consider these factors in the markets we now have for them, it will only encourage the farmers to be concerned about the quantity of yield and the quantity of their government checks.

The bean industry has "survived" its own economic disasters in the past five years. We have lost some growers, and we have lost many bean dealers and warehouses in this "farm crisis" due to the world market situation....however, we managed to get our supplies in line with demand. We do not feel the government should encourage or allow the farmers of this nation to destroy another commodity in order to help another commodity get out of their overproduction problem.

Therefore, representing the Western Bean Dealers Association, we strongly suggest that non program crops, and especially beans, not be allowed in the permitted acres. We also would like to suggest that if this fails, that the use of current Farm Bill funds be set aside to help promote new bean markets in export and we would also ask Congress to open all trading markets and remove trade barriers for export trade to certain countries which will consume dry edible beans.

Respectfully Submitted,

Harold Wilson
Beakon Bean Company

/jb

NEBRASKA DRY BEAN GROWERS ASSOCIATION

Testimony before

House Agricultural Subcommittee
on Wheat, Soybeans, and Feed Grains

February 19, 1986

My name is Fred Ehrman and I live in Gering, Nebraska. I am the Past President of the Nebraska Dry Bean Growers Association.

Thank you for the opportunity of appearing before you to present the position of the Nebraska Dry Bean Growers Association on the question of planting dry beans on so-called, "permitted and free acres."

Nebraska has ranked second and third for some years in the production of dry beans. Dry beans amount to over a $50 million crop for our growers. Since dry beans are a specialty crop even a small fluctuation in production produces a wide fluctuation in price, effecting returns to the grower.

We are greatly concerned that the new "Food Security Act of 1985" will be "the same song, second verse" of the 1983 "PIK" Program. As a result of the PIK Program the dry bean growers of Nebraska saw acreages planted to dry beans explode into areas and to growers of non traditional dry bean growing farms. One of the reasons for the expanded production was growers of corn and wheat went "into the program," diverted wheat and corn acreage to dry beans and collected government payments on ground planted to dry beans. The resulting glut of dry beans moved the market from a break even yearly average grower price of $20.86 in 1982 cwt. to $14.81 cwt. in 1983. For Great Northerns, the loss was

an estimated $121 an acre. For Pintos the price in 1981 was $29.09 dropping to $11.79 in 1983 cwt. This resulted in an estimated loss of $346 in acre. However, at least half of the price reduction of dry beans in this period was a result of Mexico being out of the Pinto market.

The February 16, 1986 edition of the Scottsbluff, Nebraska Star Herald carried advertising of some 30 farm sales and liquidations centered in the dry bean growing area of Nebraska. I estimate another 30 farmers in this area have already liquidated in the prior 60 days. The "wreck" in the bean market, a result in part of beans planted on "excess" acres of the 1983 PIK Program, had a significant impact on these liquidations of some of the world's top food producers.

The Nebraska Dry Bean Growers Association sees the "Food Security Act of 1985" as "the same song-second verse" of the 1983 "PIK" Program. We urge you to support House Bill 4078 by the Honorable Robert Traxler of Michigan. We feel this bill will prevent the planting of dry beans on permitted acres and disallow another disastrous increase in dry bean production. We feel the dry bean growers should not have to "pay the bill" to persuade wheat and feed grain producers to participate in the "Food Security Act of 1985."

We support the legislation introduced by Congressman Traxler HR 4078, which excludes beans as a crop to be planted on permitted acreage.

If this distinguished Committee should develop legislation which would prohibit the planting of any crop on permitted acreage except conservation crops, the NDBC would support such legislation.

It has been an honor to appear before you and I thank you for your time and your consideration of this problem facing the dry bean producers of the nation. If I can answer any questions concerning the Nebraska Dry Bean Growers position on this bill I would be happy to do so.

GARY L. KELLEY TESTIMONY

before

House Agricultural Subcommittee
on Wheat, Soybeans, and Feed Grains

February 19, 1986

Chairman Foley and Members of this distinguished committee:

My name is Gary L. Kelley, President of the Kelley Bean Co., Morrill, Nebraska, serving growers in a four state area, Nebraska, Colorado, Wyoming and Idaho. I am also Past President of the National Dry Bean Council. I have read the National Dry Bean Council's testimony and I support it in principal.

Thank you for the opportunity to appear before and present the position of a dealer/ processor on the question of planting dry beans on "permitted acres" under the Food Security Act of 1985.

Dry beans are not a price supported commodity, but following World War II they were until 1974. We fought long and hard to get them removed. Price supports provided not only a floor, but also a ceiling.

Currently we operate on the basis of the free market depending entirely on supply and demand. This free market is a very delicate one and statistics prove that even a slight increase in production will cause a price reduction of even greater proportions. Early indications are that if beans are allowed on permitted acres they will be planted in non traditional areas. This could easily double the acres. If this is allowed to happen

the prices paid to growers could fall to one half the cost of production.

This situation could may easily cause dealer/processors to go "off the market" and not buy the beans from the growers. If we can't sell the surplus we certainly wouldn't want to buy it!

In summary, I think it is counter productive of the USDA to pay a grower to set aside acres from a price supported commodity and allow him to plant a non price supported commodity. This gives the permitted acres up to $125.00 an acre headstart over the traditional grower.

We support the legislation introduced by Congressmen Traxler HR 4078,which excludes beans as a crop to be planted on permitted acreage.

If this distinguished Committee should develop legislation which would prohibit the planting of any crop on permitted acreage except conservation crops, I would support such legislation.

ERIC BAILEY, Chairman
11475 N. Mikus Rd.
St. Louis, MI 48880
(517) 842-5492

JAMES BYRUM, Ex. Director
1020 Long Blvd., Suite #13
Lansing, MI 48909
(517) 694-0581

EINER THORLUND, Vice Chairman
5503 County Farm Rd.
Greenville, MI 48838
(616) 754-6840

MICHIGAN BEAN COMMISSION

before

House Agricultural Subcommittee
on Wheat, Soybeans, and Feed Grains

February 19, 1986

Testimony

of

Mr. Eric Bailey

MY NAME IS ERIC BAILEY, AND I AM A FARMER FROM BRECKENRIDGE, MICHIGAN.

THANK YOU MR. CHAIRMAN, AND MEMBERS OF THE COMMITTEE FOR THIS OPPORTUNITY TO PRESENT THE VIEWS OF OVER 7,500 DRY BEAN GROWERS IN THE STATE OF MICHIGAN, ON THIS YEAR'S FARM PROGRAM, AS DEFINED BY THE MICHIGAN BEAN COMMISSION.

THE FOOD SECURITY ACT OF 1985, AS IT CURRENTLY STANDS, ALLOWS FARMERS PARTICIPATING IN THE PROGRAM, TO GROW NON-PROGRAM CROPS ON THE 50% OF PERMITTED ACRES NOT PLANTED TO A PROGRAM CROP, WITH ONLY AN 8% PENALTY, DEDUCTED FROM THEIR DEFICIENCY PAYMENT.

THIS SITUATION PRESENTS SEVERAL PROBLEMS FOR OUR BUSINESS, BECAUSE DRY BEANS - NAVIES, PINTOS, BLACKS, KIDNEYS, LIMAS, AND OTHER VARIETIES, ARE NON-PROGRAM CROPS, AND ELIGIBLE TO BE PLANTED ON THESE PERMITTED ACRES.

THE TOTAL ACREAGE OF DRY BEANS IN 1985 WAS JUST OVER 1.5 MILLION ACRES, AND WE COULD SEE AN INCREASE OF 20% in acreage

FROM TRADITIONAL PRODUCERS IN 1986, WITHOUT CONSIDERING THE IMPLICATIONS OF THIS PROGRAM. THIS AMOUNTS TO ONLY 300,000 ACRES, BUT IN ITSELF, HAS THE POTENTIAL OF CAUSING PRICE DEPRESSION BECAUSE OF SURPLUS PRODUCTION.

THE ISSUE OF PLANTING ON PERMITTED ACRES STANDS TO ADD BETWEEN 150,000 AND 250,000 ADDITIONAL ACRES OF DRY BEANS TO THIS YEAR'S CROP, FROM NON-TRADITIONAL PRODUCERS, ALL OF WHICH WOULD BE SURPLUS PRODUCTION.

THERE WILL BE SHORT AND LONG TERM PROBLEMS CREATED BY THIS SITUATION. FROM THE SHORT TERM PERSPECTIVE, OBVIOUSLY MARKET PRICES FOR DRY BEANS WILL BE EVEN MORE DEPRESSED, THAN THEY NORMALLY WOULD BE. THIS IS BEING FELT ALREADY AS GROWER PRICES FELL $2 PER CWT., FROM $15 to $13 IN THE LAST TWO WEEKS, JUST ON SPECULATION OF THE DAMAGE THIS PROGRAM COULD CAUSE. ALSO, CANNERS' NORMALLY WOULD HAVE CONTRACTED FOR ABOUT 25% OF THEIR ANNUAL NAVY BEAN REQUIREMENTS BY THIS TIME. THIS YEAR, THEY HAVEN'T, AND IN FACT THERE IS "NO BID" FOR NEW CROP BEANS, DUE TO UNCERTAINTY IN THE MARKET BECAUSE OF THIS PROVISION.

THE LONG TERM FALL OUT FALLS INTO TWO DIFFERENT AREAS. FIRST, UNCERTAIN MARKETS, AND THE SEVERE PRICE REDUCTIONS WE FORESEE, COULD CAUSE US TO RETURN TO WASHINGTON THIS FALL ASKING FOR GOVERNMENT PURCHASES OF DRY BEANS FOR SCHOOL LUNCHES, PL-480 EXPORT CREDITS, AND OTHER GOVERNMENT HELP TO DEAL WITH SURPLUS DRY BEANS.

SECOND, DRY BEANS ARE ONE OF THE COMMODITIES IN OUR COUNTRY, THAT HAS BEEN FREELY TRADED OVER THE YEARS. WITH THE PREDICAMENT WE FACE BECAUSE OF THE FARM PROGRAM THIS YEAR, AND GOVERNMENT SUBSIDIZATION OF DRY BEAN PRODUCTION FROM NON-TRADITIONAL GROWERS THROUGH DEFICIENCY PAYMENTS, THIS CROP COULD BECOME A PERMANENT PART OF THE "PUBLIC DOLE."

IN SUMMARY, THE DRY BEAN INDUSTRY IS ONE THAT HAS PRIDED ITSELF OVER THE YEARS ON NOT BEING PART OF THE GOVERNMENT FARM PROGRAM, AND BEING A BUSINESS THAT SUCCESSFULLY AND CONSISTENTLY COMPETES IN THE INTERNATIONAL MARKET. THIS YEAR, WE FIND OURSELVES AT THE MERCY OF THE PROGRAM, AND FEELING THE TURBULENCE, IN THE WAKE OF THIS PROGRAM.

AS ONE WISE FARMER, MR. EUGENE ROBINSON OF AKRON, MICHIGAN SAID IN A LETTER TO FORMER SECRETARY OF AGRICULTURE JOHN BLOCK, "THIS INDUSTRY AIN'T BROKE, WHY ARE YOU TRYING TO FIX IT?"

WE ASK YOU TO HELP US RESTORE ORDER TO OUR MARKETS AND ELIMIATE THIS PROVISION ALLOWING THE PLANTING OF NON-PROGRAM CROPS ON PERMITTED ACRES.

ALL WE WANT IS TO BE LEFT ALONE, WITH THE BASIC LAW OF FREE ENTERPRISE, SUPPLY AND DEMAND - AND NO GOVERNMENT INTERVENTION.

(Attachments follow:)

JUL 16 1985

Crop Production

Crop Reporting Board
Statistical Reporting Service

United States Department of Agriculture
Washington, D.C. 20250

RELEASED: July 10, 1985
3:00 P.M. ET

DRY EDIBLE BEANS 1/

CROP AND STATE	AREA PLANTED		AREA HARVESTED	
	1984	1985	1984	IND 1985
	1,000 ACRES			
LARGE LIMA				
CALIF	36.0	39.0	35.0	39.0
BABY LIMA				
CALIF	28.0	31.0	27.0	31.0
OTHER				
CALIF	127.0	110.0	122.0	110.0
ALL				
CALIF	191.0	180.0	184.0	180.0
COLO	195.0	230.0	190.0	225.0
IDAHO	140.0	120.0	138.0	118.0
KANS	13.0	17.0	12.0	16.0
MICH	400.0	430.0	390.0	420.0
MINN	52.0	68.0	50.0	64.0
MONT	8.5	4.0	8.0	3.8
NEBR	175.0	160.0	170.0	155.0
N Y	35.0	36.0	34.0	35.0
N DAK	205.0	260.0	200.0	250.0
UTAH	9.5	8.5	9.3	8.3
WASH	35.0	34.0	34.0	33.0
WYO	38.0	29.0	37.0	28.0
U S	1,497.0	1,376.5	1,456.3	1,536.1

1/ EXCLUDES BEANS GROWN FOR GARDEN SEED.

58-567 O - 86 - 6

CHIEF BRAND BEANS

Gormley & Company, Inc.

the dry bean specialists

U.S. DRY BEAN PRODUCTION BY STATES
(000 cwt)

STATE	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
MICHIGAN	7302	8595	7505	8175	8026	5332	8814	6119	5269	5959	7139	5329	8883	4688	5456	5484	6210	6869	7752	7199	7975	4550	6298	5412
CALIFORNIA	3435	3692	2970	2962	3197	2626	3295	2938	2679	2161	2648	2788	2931	2646	2980	2887	3323	3529	3813	4195	2585	2612	3218	2513
IDAHO	2300	2136	1821	1776	2050	1853	1720	1862	1876	2024	1956	2110	2503	2500	2655	2195	2494	2650	3329	4277	2504	1652	2670	2006
NEW YORK	1262	950	1166	847	1300	1102	932	886	748	796	388	271	547	521	295	252	420	480	614	570	560	256	372	297
NEBRASKA	1012	1116	1116	1116	1440	1276	1256	1788	1563	1517	1710	1844	2145	1929	1988	1757	1947	2160	2730	4925	3108	2108	3236	2701
COLORADO	1661	2192	1567	1845	1892	1844	2042	1909	1892	1525	1631	1449	1530	1888	1685	1265	1530	1893	2165	2663	2957	1680	2396	2068
WYOMING	624	890	605	681	720	627	660	459	506	450	505	292	481	485	458	388	427	532	732	852	522	324	750	481
WASHINGTON	506	458	407	418	462	331	324	361	444	429	498	324	467	702	495	333	504	703	1080	1300	652	395	707	710
MONTANA	204	213	184	217	252	164	162	135	187	187	187	182	154	176	153	104	126	175	176	210	130	37	152	57
NEW MEXICO	35	53	42	39	41	30	21	24	24	15	20	----	----	----	----	----	----	----	----	----	----	----	----	----
KANSAS	170	100	77	110	154	154	170	170	210	84	110	80	130	152	150	162	192	170	336	935	290	126	294	272
UTAH	16	43	30	50	60	61	50	65	77	63	52	60	48	63	51	2	24	32	42	60	66	41	54	60
NORTH DAKOTA	----	----	110	225	294	213	240	180	351	330	536	1050	611	1103	1112	1103	1263	1610	2670	4505	2520	*660	2520	3010
MINNESOTA	----	----	30	28	50	42	44	45	234	230	410	582	605	304	364	390	582	562	984	1277	949	652	700	960
OTHERS	----	----	----	----	----	----	----	----	----	----	----	----	83	140	109	105	50	----	----	----	----	----	----	----
TOTALS	18999	20286	17789	18457	19952	15477	17670	16705	17580	16160	18110	18209	20343	17422	17706	16610	19060	20685	26309	32103	25049	15520	21870	22315

U.S. DRY BEAN PRODUCTION BY VARIETY

PINTOS	4062	4553	3605	4523	4671	4039	4720	4283	5238	4749	5613	4622	4758	4391	5752	4517	5520	5940	10008	14029	6909	4372	7205	7544
NORTHERNS	1408	2253	1711	1432	1965	1500	1275	1767	1462	1554	1515	1776	2098	1413	1757	1662	1903	1990	2112	2606	2736	1969	2686	1531
NAVY PEA	6725	7609	6705	5498	7290	6707	5984	7253	5299	5213	6450	6862	6737	6863	6944	5299	5795	6618	5717	5550	7037	4618	6966	6340
SMALL REDS	536	627	372	287	630	264	335	465	576	371	271	318	447	388	437	305	359	458	646	618	489	382	345	506
SMALL WHITES	513	561	455	584	617	423	435	468	275	309	362	360	621	237	329	230	198	195	195	312	236	301	680	535
LARGE LIMAS	950	781	670	755	597	776	814	770	714	290	471	533	670	490	522	560	450	520	750	625	580	463	648	959
BABY LIMA	521	450	295	211	340	280	560	430	523	409	317	378	574	416	270	475	512	650	467	661	530	472	560	640
BLACKEYES	640	770	767	660	851	565	781	513	712	413	881	766	792	828	607	880	770	858	908	875	1050	623	930	775
PINKS	327	322	354	410	450	408	679	501	676	716	624	804	1030	1154	900	753	605	801	1750	1961	872	639	841	796
CRANBERRY	62	196	108	132	149	137	161	190	190	130	297	285	582	222	257	290	275	306	330	320	420	285	185	261
RED KIDNEY	1570	1651	1626	1783	1633	1158	1174	1470	1275	1190	816	1145	1513	1494	1377	1295	1043	1627	1757	1542	2036	907	1301	1492
BLACK TURTLE	286	183	265	182	295	321	339	223	227	409	144	135	192	212	157	109	191	263	1451	2264	236	49	110	237
GARBANZOS	34	55	42	87	92	88	50	101	80	85	60	98	83	149	46	63	101	170	67	58	60	67	10	10
OTHER	854	902	690	278	397	351	305	331	340	213	377	387	276	298	391	322	382	458	463	724	907	333	129	670
TOTALS	18580	20591	17767	16423	19962	15177	17676	18705	17838	16160	18110	18209	20343	17422	17706	16610	19060	20685	26309	32103	25049	15520	21870	22315

U.S. PINTO BEAN PRODUCTION BY STATES

COLORADO	1850	2180	1520	1841	1895	1834	2041	1900	1992	1529	1640	1443	1527	1878	1883	1243	1525	1587	2131	2950	1977	1662	2296	2940
IDAHO	1171	1010	770	1032	993	779	822	795	904	960	1096	706	865	1178	1177	795	1130	1114	1629	2421	1220	553	1167	820
WYOMING	624	556	462	486	525	471	556	354	414	361	423	305	481	425	398	316	363	456	609	834	480	298	717	452
MONTANA	183	149	170	205	230	138	156	127	132	171	178	152	148	174	147	91	109	127	144	168	119	35	132	43
NEBRASKA	158	171	108	352	306	290	455	462	516	481	570	451	823	716	665	507	652	784	1020	1702	666	435	883	990
WASHINGTON	127	120	85	103	87	45	84	57	175	115	182	55	142	212	150	81	240	290	498	643	221	79	214	199
KANSAS	170	100	77	110	148	163	170	170	200	80	110	80	130	152	150	162	192	170	336	935	280	126	294	272
NEW MEXICO	35	53	42	39	41	29	21	24	24	15	20	----	----	----	----	----	----	----	----	----	----	----	----	----
MICHIGAN	78	115	100	63	68	70	110	170	215	195	203	113	69	110	116	85	92	110	950	340	170	28	30	64
UTAH	16	43	30	50	60	60	50	65	77	63	52	60	45	63	51	2	24	32	42	60	66	41	54	60
NORTH DAKOTA	----	----	101	218	272	187	216	167	297	316	510	995	562	1117	1063	944	986	1156	2240	3570	1586	1029	1500	1536
MINNESOTA	----	----	35	26	44	32	39	40	172	199	225	256	263	276	260	221	210	295	421	598	267	180	202	182
TOTALS	4062	4553	3608	4523	4671	4039	4720	4283	5238	4749	5613	4622	4758	4391	5752	4517	5520	5940	10008	14029	6909	4372	7205	7544

U.S. NAVY BEAN PRODUCTION BY STATES

MICHIGAN	6725	7609	6705	5498	7290	6707	5984	7253	5299	5299	6300	6640	6279	3930	4864	4884	5195	5820	4827	4970	6497	2750	3501	4255
MINNESOTA	----	----	----	----	----	----	----	----	----	----	4	158	262	412	93	110	175	306	251	496	510	958	278	415	543
NORTH DAKOTA	----	----	----	----	----	----	----	----	----	----	----	----	----	88	91	63	150	270	267	484	870	860	598	866	1451
TOTALS	6725	7609	6705	5498	7290	6707	5984	7253	5299	5213	6450	6882	6737	4882	4966	5200	5795	6618	5217	5550	7037	4518	4966	6340

U.S. GREAT NORTHERN BEAN PRODUCTION BY STATES

NEBRASSA	854	1252	936	764	1134	970	913	1788	1032	1116	1182	1147	1453	1058	1286	1140	1289	1456	1709	2211	2270	1720	2132	1350
WYOMING	100	334	223	195	201	156	106	109	87	99	82	87	80	48	68	66	66	78	44	48	42	28	42	29
IDAHO	441	588	521	450	581	348	268	343	292	326	321	500	527	313	429	301	515	459	360	427	352	182	238	160
OTHERS	26	29	31	23	23	10	16	20	32	25	20	33	21	4	12	12	6	5	----	----	10	----	----	----
TOTALS	1480	2252	1711	1432	1940	1500	1275	1767	1463	1566	1515	1775	2080	1413	1777	1603	1863	1998	2112	2686	2736	1940	2630	1531

U.S. PINK BEAN PRODUCTION BY STATES

IDAHO	----	----	----	85	161	233	440	340	409	615	299	545	727	889	705	542	615	515	962	1036	587	429	503	560
CALIFORNIA	----	----	----	260	250	175	100	111	165	119	108	78	202	295	193	144	204	240	288	288	229	160	186	208
WASHINGTON	----	----	----	65	32	33	40	30	33	66	49	64	32	71	52	33	51	45	108	177	55	22	50	32
OTHERS	323	333	354	****	10	30	19	0	69	54	69	137	69	69	48	30	15	0	****	30	10	***	20	10
TOTALS	323	333	354	410	453	480	619	501	676	714	524	824	1030	1324	998	733	885	801	1758	1961	872	639	841	790

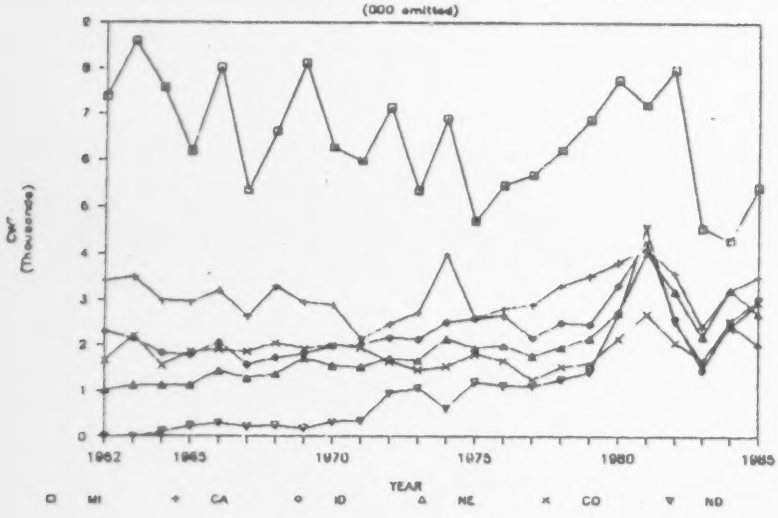
SOURCE: Crop Reporting Brd. SRS, USDA

GORMLEY & COMPANY INC., DENVER, COLORADO

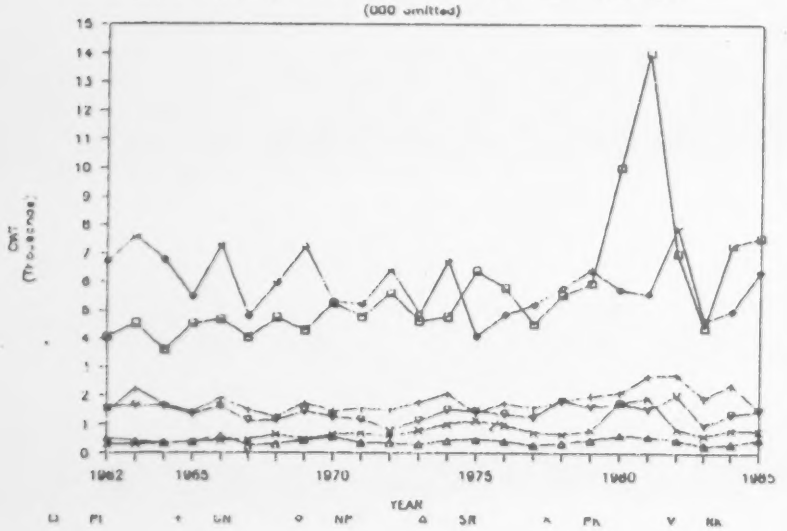
12000 North Washington, Suite 200 · Denver, Colorado 80241 · (303) 452-2630 · Telex 450356

CHIEF Gormley & Company, Inc. -the dry bean specialists

U.S. DRY BEAN PRODUCTION BY STATES



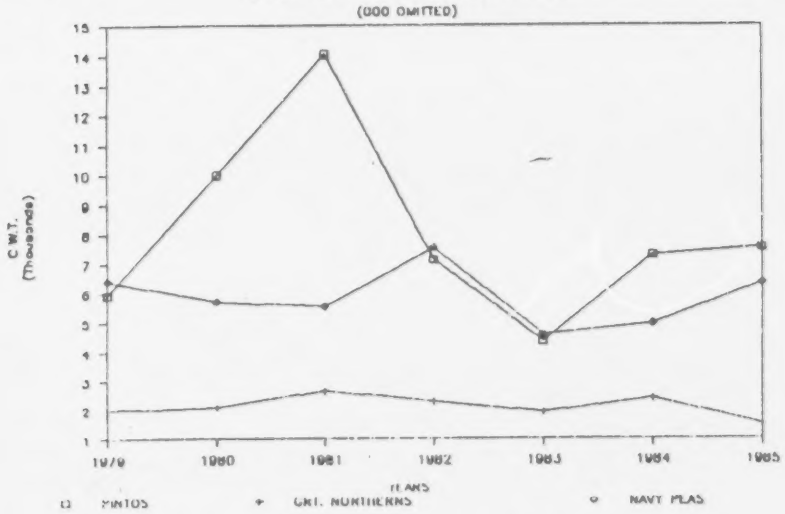
U.S. DRY BEAN PRODUCTION BY VARIETY



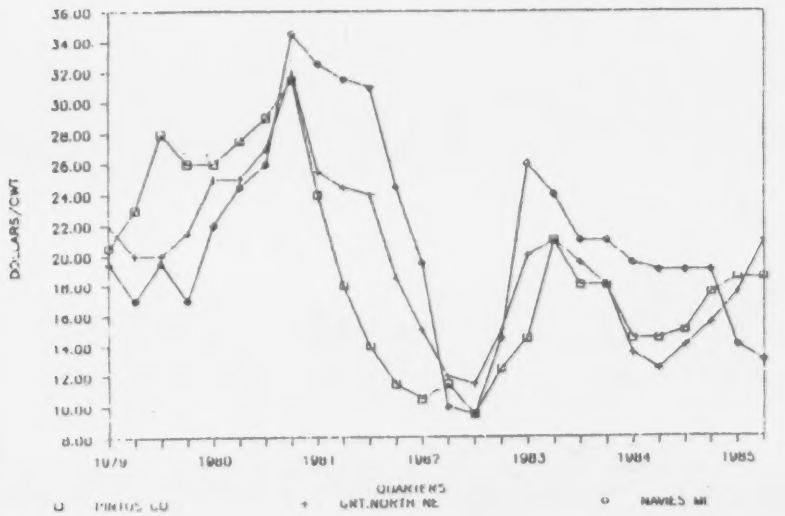
Gormley & Company, Inc.

the dry bean specialists

U.S. BEAN PRODUCTION



U.S. GROWER PRICES



12000 North Washington, Suite 200 · Denver, Colorado 80241 · (303) 452-2640 · Telex 450356

U.S. DRY BEAN GROWER PRICES

QUARTER	79	80					81						82						83						84						85					
PINTOS	20.50	23.00	20.00	26.00	26.00	27.50	29.00	31.00	24.00	18.00	14.00	11.50	10.50	11.50	9.50	12.50	14.50	21.00	16.00	16.00	14.50	14.50	15.00	17.50	18.50	18.50									
GRT NORTHERNS	22.00	20.00	20.00	21.50	25.00	25.00	27.00	32.00	25.50	24.50	24.00	18.50	15.00	12.00	11.50	15.00	20.00	21.00	15.50	16.00	13.50	12.50	14.00	15.50	17.50	21.00									
NAVY PEAS	19.50	17.00	16.50	17.00	22.00	24.50	26.00	34.50	32.50	31.50	31.00	24.50	19.50	16.00	9.50	14.50	26.00	24.00	21.00	21.00	19.50	19.00	19.00	15.00	14.00	13.00									

Bean Market News

UNITED STATES DEPARTMENT OF AGRICULTURE

LIVESTOCK AND SEED DIVISION
Market News Branch - Telephone: (303) 353-9750
711 "O" Street, Greeley, CO 80631

FOB Dealer Selling Prices Per 100 Lbs.—Carlot and Trucklot (Basis U.S. No. 1's, Cleaned and Bagged)

Vol. 22 No. 5 Date: February 4, 1986

State and Area	This Week 2/04/86	Last Week 1/28/86
	--PINTOS--	
N.E. Colorado	$23.00-23.50	$24.00-24.50
S.E. Colorado	No Sales	No Sales
W. Colorado	No Sales	24.50
Kansas	No Sales	24.00-24.50
Idaho	* 23.00-23.50	24.00-24.50
W. Nebraska-E. Wyoming	* 23.00-23.50	24.00-24.50
N. Wyoming-S. Montana	22.50-22.75	No Sales
North Dakota-Minnesota	21.50-22.00	22.00-22.50
Washington	23.00	23.75-24.25
	--GREAT NORTHERNS--	
W. Nebraska-E. Wyoming	27.50-28.50	29.00-29.50
Idaho	No Sales	No Sales
	--PINKS--	
Idaho	No Sales	24.50-25.00
Washington	No Sales	24.75
	--SMALL REDS--	
Idaho	24.00-24.50	24.00-24.50
Washington	23.00-23.50	24.00-24.50

	This Week 2/04/86	Last Week 1/28/86
	--PEA BEANS--	
Michigan #1	17.00-18.00 Late 17.00	19.00-19.50
North Dakota-Minnesota	No Sales	17.50-18.00

THE MICHIGAN BEAN COMMISSION

P.O. Box 22037 • Lansing, MI 48909 • • Phone (517) 694-0581

News. . .

FOR IMMEDIATE RELEASE

January 15, 1986

Contact: Jim Byrum

Michigan Bean Commission
P.O. Box 22037
Lansing, MI 48909

517/694-0581

FARM BILL PROVISION QUESTIONED

Eric Bailey, Chairman of the Michigan Bean Commission, in a letter to U.S. Secretary of Agriculture John Block, questioned the provision in the new farm program that allows "non-program" crops to be planted on "permitted" acres.

In the letter, Bailey pointed out that this year's farm program, allowed "permitted acres to be planted to non-program crops, and farmers can still receive their deficiency payment, as long as 50% of those acres are planted to a program crop."

While Bailey says he and the Commission understand that this provision may help some current dry bean growers, the Commission is concerned about non-traditional growers, who may grow dry beans this year.

"Last year, there were just under 1.5 million acres of dry beans grown in the United States. We have already heard reports of farmers in Iowa, Illinois, and Minnesota, along with growers in other areas, who are thinking of growing dry beans because of this provision."

Bailey pointed out that there is already a projected increase in dry bean acreage for 1986, but this situation could cause the increase to be even greater.

Copies of the letter were also sent to the Michigan Congressional delegation, Governor James Blanchard, Michigan Director of Agriculture Paul Kindinger, Chairman of the United States House of Representatives Committee on Agriculture Kika De la Garza (D) Texas, and United States Senate, Agriculture Committee Chairman, Jesse Helms (R) North Carolina.

Also, other dry bean grower organizations across the country have been contacted to encourage their support.

- Continued -

THE MICHIGAN BEAN COMMISSION

P.O. Box 22037 • Lansing, MI 48909 • Phone (517) 694-0581

News . . .

"This is a problem that must be addressed. We have enough problems in the dry bean business without inexperienced growers dumping low quality beans on the market." Also, once farmers gear up to grow beans because of this year's farm program, they will always be able to.

"If farmers or others have thoughts on this issue, they should contact their local Congressman, Senators, or The Secretary of Agriculture," Bailey concluded.

AC Comm
2/11/86

NDBGA

January 30, 1986

The Honorable John R. Block
Secretary, U.S. Department of Agriculture
12th and 14th Streets, SW
Washington, D.C. 20250

It has been brought to our attention that under the 1985 bill, permitted acres can be planted to non-program crops, such as dry beans and farmers can still receive their deficiency payment if 50% of those acres are planted to a program crop.

A loss of 8% of his eligible deficiency payment is the only penalty to a farmer under the program.

The acreage of dry beans and other non-program crops could be increased substantially in 1986 because of this being permitted under the guidelines of the farm program. There were 1,488,000 acres of dry beans planted in the U.S.A. in 1985.

A moderate increase in acreage is expected this year, but by allowing permitted acres to be planted to non-program crops such as dry beans, there could be a very large increase in dry bean acreage.

There appears to be interest in growing dry beans this year from farmers, who rarely, if ever, grew dry beans before.

A large increase in the production of dry beans, could have a disasterous effect upon an already ailing farm economy.

Nebraska growers reduced acres of dry beans in 1984 and 1985, because of over-production during the early 1980's and carry over that resulted in prices to the grower far less than the cost of production. This has been a major contributor in farm foreclosures and bankruptcies in the dry bean regions of Nebraska.

We believe this was not the intent of the program and urge that the Producer Option deficiency benefits be eliminated from the program base acres planted to non-program crops such as dry beans, potatoes, popcorn, etc. It is extremely unfair to traditional growers of non-program crops, not receiving deficiency benefits to compete with growers planting program base acres to non-program crops and receiving deficiency payments.

Nebraska Dry Bean Growers Association • 4502 Avenue I, Scottsbluff, Nebraska 69361

This would result in a savings of taxpayer dollars and treat all growers of non-program crops equally.

We recommend that action be taken to eliminate deficiency benefits for program base acres planted to non-program crops as soon as possible.

Sincerely,

Harold Martin

Harold Martin
President

cc: Virginia Smith, Congresswoman, U.S. Congress
Edward Zorinski, Senator, U.S. Senate
J. James Exon, Senator, U.S. Senate
E. Mickey Stewart, Executive Director, Nebraska ASCS
Robert Kerrey, Governor, State of Nebraska
Chuck Schroeder, Director, Nebraska Dept. of Agriculture

HM:rk

THE MICHIGAN BEAN COMMISSION

P.O. Box 22037 • Lansing, MI 48909 • Phone (517) 694-0581

News. . .

FOR IMMEDIATE RELEASE

February 7, 1986

Contact: Jim Byrum

Michigan Bean Commission
P.O. Box 22037
Lansing, MI 48909
517/694-0581

BEAN ISSUE CAUGHT IN QUAGMIRE OF PROBLEMS WITH FARM PROGRAM

Cross Compliance, Base Acres, Proven Yields, and Maximum payments, are all problems that many farm state Congressmen have raised, along with the issue of planting dry beans on permitted acres, in the 1986 Farm Program.

The program as it now stands, allows farmers who plant 50% of their permitted acres to a program crop, to plant the other 50% of their permitted acres to a non-program crop, and still receive 92% of their deficiency payment.

Non-program crops include not only dry beans, but also potatoes, alfalfa, vegetables and several other speciality crops, such as sunflowers, flax, and rapeseed.

The Michigan Bean Commission and Michigan Bean Shippers Association, along with every other dry bean grower and shipper organization across the country, have besieged Congress in the past two weeks in an attempt to either eliminate dry beans as a crop to be planted on permitted acres, or give the Secretary of Agriculture the discretion to use his judgement, to handle this problem.

Eric Bailey, Chairman of the Bean Commission pointed out last week, "that we are involved in a fight for our industry, but there are many other problems with the farm program. We need to make Congress understand the damage the dry bean industry will suffer if this provision is not reversed."

The Senate is attempting to pass a bill dealing with technical corrections to the program, including the Cross Compliance issue, and Senator Donald Riegle and Carl Levin both Democrats of Michigan, offered an amendment that would have solved the dry bean problems. The amendment was fought back, primarily by Plains States Senators, concerned with their own constituents' problems, but Riegle and Levin have vowed to fight again.

- Continued -

THE MICHIGAN BEAN COMMISSION

P.O. Box 22037 • Lansing, MI 48909 • Phone (517) 694-0581

News . . .

They both agreed to re-introduce the amendment, when Senate reconvenes after the President's day recess on February 18, 1986.

This should give dry bean interests a chance to re-group, and plan their strategy for a counter attack.

"We haven't surrendered on the issue," stated James E. Byrum, Executive Secretary of the Michigan Bean Commission. "The support we have received from Senators Riegle and Levin has been 110%. Congressmen Bob Traxler and Bill Schuette have spearheaded our efforts in the House as well," he continued.

Several Congressional experts claim the USDA already has the authority to handle this problem, but they appear unwilling to do so. "Next week we will meet with Secretary Block, as an industry," Byrum said, "and we hope to convince him that relief is needed, and that he has the power to grant that relief."

Concern over the planting of non-program crops on permitted acres has increased particularly in some Western states as some seed houses have seen as much as a six fold increase in inquires and seed sales. Also, as Bailey recently stated in a Gratiot County, Michigan meeting, "we have lost $2.00 per hundredweight on the price of navy beans in the past week, and end user new crop (1986 planting season) contracting is far lower than in previous years." He attributes these problems to the situation created with the farm program.

"We're not giving up though, stated Bailey, "as long as there is a possibility of eliminating this inequity, we will be working."

SR 443 Russell Senate Office Building
(202) 224-5981

COMMITTEE
AGRICULTURE, NUTRITION, AND FORESTRY

SUBCOMMITTEES
RANKING MINORITY MEMBER
AGRICULTURAL CREDIT AND RURAL ELECTRIFICATION
AGRICULTURAL PRODUCTION, MARKETING AND STABILIZATION OF PRICES
FOREIGN AGRICULTURAL POLICY

United States Senate

WASHINGTON, D.C. 20510

SUBCOMMITTEES
RANKING MINORITY MEMBER
WESTERN HEMISPHERE AFFAIRS
ARMS CONTROL AND INTERNATIONAL OPERATIONS
EUROPEAN AFFAIRS

DISTRICT OFFICES
[illegible]

100 Centennial Mall, North
Lincoln, [illegible]

1011 West 2nd Street
Grand Island, [illegible]

February 7, 1986

Honorable John R. Block
Secretary of Agriculture
Washington, D.C. 20250

Dear Mr. Secretary:

We urge you to use the authorities vested in you to ensure the proper and effective administration of the 50 percent permitted acreage planting rule.

The Food Security Act of 1985 requires that you afford wheat, feed grain, upland cotton, and rice producers the option of planting only 50 percent of their permitted acreage and receiving deficiency payments on 92 percent of their permitted acreage if the underplanted acreage is devoted to conservation uses or nonprogram crops. The Department recently announced that any nonprogram crop other than soybeans and extra long staple cotton could be planted on this underplanted acreage -- without regard to the profitability and the supply/demand situation for the nonprogram crops. This announcement -- if not modified -- will have a detrimental effect on net farm income for producers of many nonprogram crops.

Congress, in enacting the 1985 Act, did not intend that the underplanting provision be administered in such a way as to adversely affect producers of nonprogram commodities. Under the provision, up to 40 million acres of underplanted land could be devoted to nonprogram crops. With this vast amount of land being available for nonprogram crop production, the potential exists for devastating the industry of many commodities unless you modify the Department's previous announcement. More importantly, unless you modify the Department's previous announcement, the Federal Government will put out of business farmers who have never asked for a price support program or any other kind of Federal subsidy.

Mr. Secretary, under the Food Security Act of 1985, you are authorized to issue such regulations as you determine necessary to carry out the commodity programs, and you are required to

ensure that the programs are effectively administered. In addition to this grant of authority, you are vested with broad discretionary powers under the Commodity Credit Corporation Charter Act to assist in the maintenance of balanced and adequate supplies of agricultural commodities.

We urge you to exercise the powers vested in you and issue regulations that will ensure that the underplanting provision does not adversely affect producers of nonprogram commodities.

Sincerely,

February 7, 1986

Robinson Farms
% Eugene Robinson
8207 M-25
Akron, Mich. 48701

To Whom It May Concern,

I'm relatively pleased with the farm bill. Most of it has reason and logic. The part of the bill which concerns me is, allowing non program crops to be planted on permitted acres.

I'm a dry bean grower from Michigan. The dry bean market has its "ups and downs" and has always managed to keep production in line with demand, Strictly by its market price. What the Federal government is proposing, is to give producers of corn approximately $100.00 per acre to plant non-program crops instead of corn. How can this not have a MAJOR impact on dry beans? How can I compete with farmers who are getting the same market price for dry beans that I am getting, plus the deficiency payment? How can this not affect the already fragile dry bean market? In the past two weeks navy beans have dropped from an already depressed $15.00 per 100# to $13.00 per 100# (a 13% drop), which I feel is the result of this rumor (if it is only a rumor.) How far will the market drop once this rumor is confirmed? A 50% drop is not unrealistic.

Myself, along with my brother, farm approximately 1,500 acres. 400 of those acres are dry beans, 400 acres are planted to corn, and the rest are divided between wheat and sugar beets. We have no choice but to keep our crops divided this way.

Participation in the corn program is a must! We have to plant according to our corn base.

Participation in the wheat program is a must also.

Sugar beets are a contracted crop, which means our beet acreage remains constant.

Our navy beans use up the additional acres.

What happens in 1987 after our navy bean market is destroyed by "over production" (it will be)? The "outsiders" (those who planted dry beans on permitted acres) will be able to go back to planting their price supported corn. They have a price supported option. We who have dry beans as an important crop in our rotation will be left with no option. We'll have to plant dry beans no matter what the price! Our corn acres are set by our base! Our wheat acres are set by our base! Our sugar beet acres are set by our "non-flexible" contract! WE HAVE NO OPTION!!

This administration supposedly wants a "market-oriented" agriculture, where the demand determines the production and the less the government distorts this balance the better.

The non-program crops are non-program

for a reason. The law of supply and demand is working. Why doesn't the government stay out of them? Why take the only system in agriculture that isn't broken and fix it so it no longer works?

Why encourage production (by deficiency payments) of a crop that doesn't have the demand?

It seems to me that this is a major step toward making the current non-program crops so they too will need price supports.

Sincerely,

Eugene A. Robinson

Dr. Ray T. Robinson

ERIC BAILEY, Chairman
11475 N. Mikus Rd.
St. Louis, MI 48880
(517) 842-5492

JAMES BYRUM, Ex. Director
1020 Long Blvd., Suite #13
Lansing, MI 48909
(517) 694-0581

EINER THORLUND, Vice Chairman
5503 County Farm Rd.
Greenville, MI 48838
(616) 754-6840

MICHIGAN BEAN COMMISSION

before

House Agricultural Subcommittee
on Wheat, Soybeans, and Feed Grains

February 19, 1986

Testimony

of

Mr. Einer Thorlund

MY NAME IS EINER THORLUND, AND I AM THE VICE CHAIRMAN OF THE MICHIGAN BEAN COMMISSION, AND FARM NEAR GREENVILLE, MICHIGAN.

I ALSO APPRECIATE THE OPPORTUNITY TO EXPRESS MY THOUGHTS ON THE FOOD SECURITY ACT OF 1985, AND VOICE MY OPPOSITION TO THE PROVISION ALLOWING THE PLANTING OF NON-PROGRAM CROPS ON PERMITTED ACRES, WITH ONLY AN 8% PENALTY ON THE DEFICIENCY PAYMENT.

THIS SITUATION FLYS IN THE FACE OF VIRTUALLY EVERYTHING THIS FARM PROGRAM PURPORTS TO ACCOMPLISH:

AS EXAMPLES:

- THE DRY BEAN INDUSTRY IS A BUSINESS THAT WORKS, IS BASED ON FREE MARKETS, AND PRICES ARE SET BY SUPPLY AND DEMAND FORCES. SUBSIDIZING THE PLANTING OF DRY BEANS, AND OTHER NON-PROGRAM CROPS ON PERMITTED ACRES MAKES TRADITIONAL PRODUCERS OF DRY BEANS COMPETE WITH SUBSIDIZED NON-TRADITIONAL GROWERS. ALSO THOSE OF US THAT HAVE GROWN DRY BEANS AS A NORMAL PRACTICE FOR

SEVERAL YEARS, MUST GROW THEM THIS YEAR, BECAUSE IN MANY CASES ONLY 40-50% OF OUR ACRES QUALIFY AS CORN OR SOYBEAN BASE ACREAGE. THEREFORE WE MUST MAINTAIN ABOUT THE SAME ROTATIONS AS IN PAST YEARS.

- OVER THE YEARS, JUST IN MICHIGAN, GROWERS HAVE COMMITTED OVER $3 MILLION TO RESEARCH, EDUCATION AND PROMOTION OF DRY EDIBLE BEANS. WHILE WE ARE NOT SEEKING TO LIMIT OR REGULATE WHO CAN, OR CAN'T GROW BEANS, WE DON'T FEEL THAT GOVERNMENT SHOULD FALSELY ENCOURAGE FARMERS TO GROW THEM WITH SUBSIDIES, OR DEFICIENCY PAYMENTS. ALSO, FARMERS WHO ARE CONSIDERING DRY BEANS THIS YEAR, WHO NEVER HAVE BEFORE, ARE BASING THEIR DECISIONS ON HISTORICAL PRICE AND SUPPLY INFORMATION, AND DO NOT UNDERSTAND THAT THE 150,000 - 250,000 ADDITIONAL ACRES OF BEANS THAT WE FORECAST FROM THIS SITUATION WOULD UPSET THE NORMAL SUPPLY AND DEMAND PICTURE OF THIS CROP FOR YEARS TO COME. I ALSO DON'T NEED TO EXPLAIN THE STATE OF THE AGRICULTURAL ECONOMY TO ANYONE IN

THIS ROOM. BECAUSE OF THESE PROBLEMS THOUGH, THERE IS A CERTAIN AMOUNT OF DESPAIR IN AGRICULTURE TODAY, WITH SOME FARMERS LOOKING FOR A "QUICK FIX," OR DIFFERENT CROPS THEY CAN GROW, THAT THEY FEEL MAY OFFER A BETTER CHANCE OF PROFIT, THAN WHAT THEY HAVE GROWN IN THE PAST. - FALSE HOPE, AS IT PERTAINS TO DRY BEANS.

IN CONCLUSION, WHAT WE ASK IS A REMEDY FOR THIS SITUATION. WHILE WE UNDERSTAND OTHER COMMODITIES MAY FACE SIMILAR PROBLEMS AS A RESULT OF THIS PROBLEM, I WON'T ATTEMPT TO EXPLAIN THEIR PREDICAMENT. WHAT I DO UNDERSTAND THOUGH, IS THE IRREPARABLE HARM THAT WOULD COME TO THE DRY EDIBLE BEAN INDUSTRY, IF THIS PROBLEM IS NOT RESOLVED.

Farm Law 'Kink' Could Create Glut of Specialty Crops

Farmers Receiving Assistance Now Allowed to Plant 'Idled' Land With Nonsubsidized Vegetables, Beans

February 16, 1986

By Ward Sinclair
Washington Post Staff Writer

It used to be a simple trade: To qualify for federal subsidies, a farmer who grew wheat, corn, rice or cotton had to agree to leave part of his land fallow.

But Congress changed the rules in last year's farm bill. Now a farmer can keep his subsidy, yet plant his "idled" land with another crop that is not subsidized: vegetables, for example, or dry beans or alfalfa.

Some members of Congress are nervous about what they may have wrought—gluts and price wars, perhaps.

And growers of beans, potatoes, fresh vegetables and some other crops are up in arms. They fear a great, price-depressing influx into their unsubsidized markets as subsidized farmers rush to put idled land back to work growing items usually beneath their notice.

The prospect of oversupply and lower prices may appeal to consumers, but the specialty farmers who get no federal supports charge that they face unfair competition from subsidized farmers and are urging Congress and the administration to change the rules.

The potato and dry edible bean markets, depressed because of 1985 surpluses, are reacting adversely to new surpluses that could result as the subsidized farmers turn their idled land to those crops.

"No one contemplated creating surpluses in other commodities when the farm bill was written," said one Senate Agriculture Committee aide, "but it seems that every time you cure one problem, you create another."

Legislators and growers from dry edible bean, potato and sugar beet areas are calling on the Agriculture Department to bar subsidized farmers from turning their land over to these crops, lest they add to surpluses of these items.

USDA officials contend that the new farm law does not empower the secretary of Agriculture to change the situation. "We'll probably stay where we are," said one. "We are locked in because we've already announced that corn and wheat farmers can grow these other commodities . . . . It was clear to us that Congress wanted it this way when it enacted the bill."

But members of the Michigan congressional delegation, worried about the dry bean industry, have introduced an amendment that would direct the secretary to limit the specialty crop plantings if adverse market impact was anticipated.

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Heavy political fallout from this dispute is predicted.

"It is a sleeping giant, and by fall it will become a political nightmare, with a tremendous oversupply of these [specialty] commodities and everyone pointing fingers of blame," said William G. Lesher, a former USDA official who is involved in a rescue effort for growers of dry edible beans.

Lesher and others expect that, as provisions of the new law become more widely known, the subsidized farmers—particularly in irrigated sections of the West—will plant specialty items and move into lucrative markets usually dominated by growers not in the federal support programs.

"Alfalfa, potatoes and fresh vegetables all are concerned about this, and so are the banks that finance the traditional growers," said Dick Klein of Klein Brothers Ltd., in Stockton, Calif., one of the nation's major processors and producers of dry edible beans. "We have very thinly traded markets .... I see the federal program farmers trying for a 'perfect' crop, so to speak, such as beans, and they will destroy our market system."

A Washington representative of the National Potato Council said, "My people are up in arms .... It has the potential for creating a sort of range war that pits nonprogram farmers against program farmers. It is going to create a problem—and I don't think Congress or the secretary of agriculture want to get caught in the middle of it."

Rep. Bill Schuette (R-Mich.), a House Agriculture Committee member who is from a bean-growing district, said that the unintended impact of the farm bill provision "came as a surprise to many of us." But, he said, "I view this as one of those kinks that we need to unkink. Let's not make matters worse for farmers who are not involved in the federal programs."

The first alarms over potential impacts on specialty crops were rung by growers of dry edible beans, who were aroused by reports of a demand for bean seeds by farmers who traditionally have not grown the crop and by a falling market that anticipates an upsurge in bean plantings this year.

"They'll be giving beans away next fall," said Tim Courneya of Northarvest Beans, a farmers' association in Frazee, Minn. "Our dry edible bean market can only absorb so much, and we already are in heavy surplus .... Now, we will have farmers getting federal subsidies competing against bean growers who get no federal assistance."

Added Klein: "Everybody has listened to us; everybody understands the problem. But my only frustration is whether something will be done before a disaster hits our industry."

American Dry Pea & Lentil Association
Formerly Pacific Northwest Pea Growers & Dealers Assoc.

STATE LINE OFFICE
P.O. BOX 9566
MOSCOW, IDAHO 83843
Phone (208) 882-3023

February 18, 1986

The Honorable Thomas Foley
Attn: Gene Moos
1201 Longworth Bldg.
Independence & N.J. Ave. S.E.
Washington, D.C. 20515

Dear Representative Foley,

There is a provision in the 1985 Farm Bill that Idaho and Washington dry pea and lentil growers strongly object to.

The "92-50" provision allows growers to set aside 50% of their base, receive up to 92% of their deficiency payments and allows (encourages) non-programmed crops to be planted on the remaining 50% acreage.

Dry peas and lentils are non-programmed crops. In recent years, as alternative crops, peas and lentils have kept many growers in business. (See attachad news clipping with Fairfield, Wash. banker attesting to the value of lentils and other alternative crops.)

Compared to other price-supported commodities, currently we come reasonably close to selling most of what we grow.

A major factor contributing to our overall success as a market-oriented industry has been the lack of price-supports or participation in government programs.

Production, supply and prices have fluctuated according to market forces, not artificial props imposed by government sanctions.

Because of the above provision, we can expect record-high production and the subsequent oversupply and low-price problems which now afflict the larger programmed commodity crops.

Through crop assessments which provide funds for marketing and research programs, our industry has done a good job of providing profitable alternatives to Idaho and Washington growers.

Recently we held grower meetings in towns throughout the growing area to find out what individuals thought of the industry and what should happen in the future.

Despite the anti-tax sentiment that prevails in most circles today, our growers voted unanimously to increase their own assessments to fund more research and marketing programs.

For more details, we refer you to another attached sheet which describes the assessment increase efforts currently going on.

In exchange for increased assessment dollars to go into marketing and research programs, we have promised greater results for our growers.

Our ability to deliver on these promises and maintain our positive market-oriented position is seriously threatened by the "92-50" provision included in the farm bill.

We are currently investigating what can be done about this provision. We ask that you and your staff investigate this issue so we can discuss it with you in the near future.

Yours truly,

Lee R. McGuire

Lee McGuire
President
Washington Association of
Dry Pea and Lentil Producers

Rich Morrison

Rich Morrison
President
Idaho Association of Dry
Pea and Lentil Producers

(Attachments follow:)

USA Dry Peas & Lentils: FACT SHEET

Idaho Assessment Increase

Current situation:

There are 1300 growers or landlords with pea and/or lentil producing acres in Idaho. Currently they are assessed 7 cents a hundredweight on green and yellow peas and Austrian Winter peas, 8 cents a hundredweight on lentils, 8 cents a hundredweight on chickpeas. During an average year, this generates a total of approximately $122,000 which funds research and export and domestic sales.

The pea and lentil industry contributes 68 million dollars in domestic and export trade. Of this amount, 49 million is from export sales and 19 million from domestic sales.

Positive points:

Currently, the pea and lentil industry is experiencing favorable demand, unlike many agricultural industries facing oversupply, low prices and lost exports due to the unfavorable economic environment.

Dry peas and lentils are not price-supported and not governed by a marketing order, an unusual example of a market-oriented agricultural system.

Unlike commodities with record-high surpluses, carryover stocks of dry peas and lentils are relatively low.

Despite the strong U.S. dollar, exports of peas and lentils increased in 1984-85.

Consumption of peas and lentils in the U.S. has increased 40% since 1965, in part, due to grower-sponsored promotion and education programs.

Funding and coordination provided by the Idaho Pea and Lentil Commission has contributed to a productive relationship with researchers at the University of Idaho and other land-grant institutions in the region.

In the midst of negative forecasts for many agricultural industries, peas and lentils provide Idaho growers with an opportunity to actually sell what they grow. Expanding the opportunities to market peas and lentils provides options for Idaho growers at a time when they need profitable alternatives.

Consensus among growers re: assessment increase

All Idaho pea and lentil growers were polled by mail during December. Of 1,300 ballots mailed, 570 were returned for a 43.5% response rate. Of the number returned, 367 voted in favor of an assessment increase, representing a 64.4% yes vote.

For more information, write or call USA Dry Pea & Lentil Industry,
P.O. 8566, Moscow, Idaho 83843, 208-882-3023

Board members from the pea and lentil industry held grower meetings in 10 Idaho towns located in the pea and lentil growing area to discuss the assessment increase. A total of 200 growers attended these meetings and voted favorably for the increase.

The board of directors of the Idaho Dry and Lentil Commission who represent pea and lentil growers unanimously agreed to support the increased assessment plan.

The proposed 2 cents per cwt increase will generate approximately $35,000 the first year, $70,000 the second year and $105,000 the third year.

How will additional funds be spent?

Additional grower dollars are needed to maintain an adequate research effort. In real dollar terms, state and federal funding of agriculture research at the University of Idaho has decreased steadily since 1978 and industry will have to pick up a greater share if programs are to be maintained.

Export promotion programs funded by grower-dollars have increased export sales significantly. Recent increases in sales of peas and lentils to India and Algeria are excellent examples.

The opportunity exists now to expand the U.S. market for split peas and lentils. U.S. consumers are highly interested in nutritious foods. The industry needs to capitalize on this current consumer interest and bring product information to the attention of U.S consumers through expanded advertising and promotion programs. Consumer and market research has shown that expanded promotion programs can result in documentable sales increases.

Idahonian

s Moscow, Idaho, Monday, February 10, 1986 Copy

Garfield bank symbol of stability for farmers

By PETER HARRIMAN
Of our staff

GARFIELD — The three-story red brick State National Bank rises above other buildings and dominates a corner of town, a sturdy symbol of the enduring cycle of planting and harvesting that is the reason Garfield and this bank exist.

There have been changes in agriculture in the years since 1902 when Don Johnson's ancestors founded the bank, but these have not interrupted a stable, symbiotic relationship. For 30 years, Johnson, the current bank president, has been lending money to the same farmers. Now he sees their sons taking over the farms, even as Johnson's own son has joined him in the bank.

In an era where farmers are sinking under monumental debt, taking rural banks down with them, the traditions of small, independent banking still work in Garfield.

"One thing that has helped is in this area we are able to grow lentils," Johnson said. "Lentil prices this year were excellent. Farmers in this area can grow 800 to 1,800 pounds of lentils, without fertilizer. The price got to 48 cents this year, and you can make good money at 28 cents. With the depressed wheat prices, that's the thing that really saved us here.

"I feel we'll still be here in the future, because of the diversity of crops we enjoy. If all we could grow around here was wheat I wouldn't say that."

The State National Bank has about 700 accounts, drawing from Potlatch, Palouse, Oakesdale and the Thornton area, as well as Garfield. It has $9 million in loans and $15.6 million in assets, Johnson said. It offers real estate, auto, commercial and personal loans, but primarily it lends money to farmers to finance agricultural enterprises.

The banker's year begins in early spring, when farmers secure operating loans. "After the spring work is done, things taper off. Around August, it picks up again when they start harvesting, and the loans are paid off in November and December," Johnson said.

While most farmers around Garfield own their land and are not deeply in debt with land payments, Johnson says the profitability of farming has steadily declined, to the point where "You're looking at cash flows now all the time to make sure they don't get overextended."

The farmers he deals with are loyal customers, though, Johnson said. He does not see the entry of the federal government — and possibly the entry of the state of Washington — into the agricultural lending market as particularly fierce competition. Larger banks have not taken business from him, he believes.

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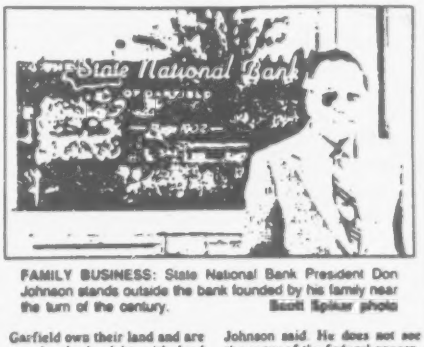

FAMILY BUSINESS: State National Bank President Don Johnson stands outside the bank founded by his family near the turn of the century. Scott Spiker photo

BANK

CONTINUED FROM PAGE 1

"I don't think chain banks can compete effectively with an independent bank. Management turns over so rapidly you don't know who you're going to see. People like to be able to come in and see the same faces."

Depositors have also remained loyal, though the bank has never locked in money market interest rates for more than six months, while some banks offer rates for two years.

The State National Bank has benefited from years of a stable business environment. In 30 years, only two new area banks, the Bank of Whitman in Colfax and the Bank of Pullman, have been organized, Johnson said. Over the course of years, the bank has rejected a number of offers to buy it out. "They quit a number of years ago," Johnson said. "They heard us say 'No' so many times."

The bank's future as a Johnson enterprise is secure. A bit more than 50 percent of the stock is held by members of Johnson's immediate family. Counting shares owned by more distant relatives, the family controls 80 percent of the bank stock.

Johnson was born in Garfield and grew up there. He remembers when the town still had wooden sidewalks. Though he left to go to school and later to join the Air Force, he said he always knew he would return. He went to work for the bank 31 years ago. He became cashier, then vice president and in 1975 or 1976, he said, he was elected president.

That absolved him from hardly anything. "It is not uncommon for me to go out on the teller lines," he said. "From 12:30 until 1:00 there are only two of us in here and if (the regular teller) gets busy, I help in the teller line.

"I delegate most of the reports out now, but I'm still capable of doing most anything that needs to be done."

The delight in this sort of banking is personal contact with customers, Johnson believes.

"It's the service they get that keeps people coming in here. All of our customers we know on a first name basis. Usually, we know all their children.

"I'm the first one in here, and it feels good to me. I'm always here at 8:00 or shortly after, and when I open the door the bank is open for customers. The door is never locked until the last person leaves at night."

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NEWS

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How to Estimate Alternate Income If Feed Grains Base Is "Underplanted"

The new feed grain program opens the possibility that a corn farmer can receive deficiency payments even on acres not planted in corn. However, like many offers that look good at first, this one raises questions that need to be considered carefully.

The Farm Security Act of 1985 states that a producer can plant as little as 50% of his corn base to field corn, plant the remaining 50% to a non-program crop (such as popcorn, red beets, edible beans, sunflowers, etc.) and receive 92% of his deficiency payments. A grower considering this option should assess carefully whether the net income from an alternate crop equals the lost income from not planting feed grains.

First, the grower who tries this option walks away from the guaranteed loan rate of $1.92/bushel (or market rate, if higher) for the field corn acres that aren't planted. Second, he forfeits 8% of the deficiency payments on his total feed grains base (equal to 16% or more of those feed grain acres he "underplants").

One of the reasons growers produce specialty crops, such as popcorn, is to spread market risk. A grower who raises a specialty crop should make sure he:

1. Signs a contract with a company to purchase the crop. Non-contracted acreage is a major gamble that could result in a no-market situation for the crop.

-more-

2. Deals with a financially secure company. A grower doesn't need to find out midway through the growing season that the company which has his contract is out of business, cannot pay for the crop, or cannot use it.
3. Knows what the specialty crop yields. Popcorn yields approximately 1/2 the bushels of field corn. A popcorn contract takes this into consideration and is adjusted accordingly. Growers without a contract are likely to find the crop unprofitable because of low popcorn yields.
4. Carefully checks expected income on the alternate crop against the income lost from underplanting corn. Popcorn sold at grain elevators will bring half per acre what a corn crop would yield. Some farm elevators won't take popcorn at all.

The following chart provides a starting point for calculating the income needed from an alternate crop before the crop will return as much as corn. Deficiency payments - calculated on the farm's program yield - are paid on base acreage after the first 8% (up to a maximum of 50% of the base acres) shifted to conservation use or non-program crops.

This is based on a hypothetical farm with a 100-acre feed grains base and an established farm yield of 125 bushels per acre for corn. It's also based on corn at an estimated $2.00 a bushel with deficiency payments at the $1.03 a bushel estimated by USDA on January 29, 1986. If the market price for the 1986 crop is higher, the deficiency payments will be correspondingly less, and the income needed to make up the loss on the market value of the feed grains crop likewise will be correspondingly higher.

(Attachment follows:)

-more-

	100% Corn	50% Corn	75% Corn
Market Value (@ $2.00/bushel)	$20,000. ($2.00x80x125)	$10,000. ($2.00x40x125)	$15,000. ($2.00x60x125)
Deficiency Payments (@ $1.03/bushel)	$10,300. ($1.03x80x125)	$ 9,476. ($1.03x80x 92% x 125)	$ 9,476. ($1.03x80x 92% x 125)
Total field corn income (market & deficiency payments)	$30,300.	$19,476.	$24,476.
Income (market value & deficiency payments) lost from underplanting the permitted 80 acres		$10,824.	$ 5,824.
Income per acre needed from alternate crop to break even against "underplanting"		$ 270.60	$ 291.20
Return on popcorn, if sold as field corn (62.5 bu/acre x $2.00)		$ 125.	$ 125.
Potential losses per acre on popcorn grown w/o contract		$ 145.60	$ 166.20